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MESERVEY'S NEW BOOKKEEPING

AND

MANUAL OF BUSINESS FORMS

BY

ARTHUR J. MEREDITH, PH.B.

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SALEM, MASSACHUSETTS

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PREFACE

In such a volume, very little in the way of a preface is needed, but a few remarks are necessary in order to make its purpose and method perfectly plain.

In preparing the text, the writer has had in mind three ideas:

First, to arrange a text suitable either to upper grammar or high school grades:

Second, to plan a text that may be used either for supplementary exercises or as the only text in the subject:

Third, as no two business houses keep books in exactly the same manner, to prepare a text confined exclusively to the *principles of bookkeeping*, omitting wherever possible particular methods in various lines of business.

The material used has come from two sources: Meservey's "Bookkeeping, Single and Double Entry," his "Manual of Bookkeeping and Banking," and also from the writer's experiences as a teacher of the subject in Academies, High Schools, Evening Schools, and in the Salem Normal School.

The writer desires to express his obligation to Mr. J. Asbury Pitman, Principal of the State Normal School, Salem, Mass., for suggestions and aid; to Professor Murray Gross of Drexel Institute, Philadelphia; to Mr. George K. Hinds, teacher of bookkeeping in the Washington Irving High School, New York City, and to Miss Clara E. Townsend, of the State Normal School, Salem, Mass., for reading the manuscript and suggested improvements; to Mr. F. I. Brown of the Library Bureau of New York City and to Mr. J. C. Walker of the Burrough Adding Machine Company of Detroit, Mich., for material used in the section devoted to Modern Labor-Saving Devices; and to many friends who have in many ways contributed to this work.

A. J. M.

SALEM, MASSACHUSETTS,
September, 1911.

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ABBREVIATIONS

A 1 ..... First quality.
@ ..... At.
Acct. or % ..... Account.
Acct. Sales ..... Account sales.
Agt. ..... Agent.
Amt. ..... Amount.
Ans. ..... Answer.
Apr. ..... April.
Aug. ..... August.
Bal. ..... Balance.
Bal. Acct. ..... Balance account.
Bbl. ..... Barrel.
Bbls. ..... Barrels.
B. B. ..... Bill book.
Bk. ..... Bank.
Bls. ..... Bales.
B./L. ..... Bill of lading.
Bot. ..... Bought.
B. P. or B. Pay. .. Bills payable.
B. R. or B. Rec. .. Bills receivable.
Brot. ..... Brought.
Bros. ..... Brothers.
Bu. or Bush. ..... Bushel.
C. ..... Hundred.
¢ ..... Cent.
Cap. ..... Capital.
Cash ..... Cashier.
C. B. ..... Cash Book.
C. C. ..... Certified check.
Chgd. ..... Charged.
Chgs. ..... Charges.
Ck. ..... Check.
% ..... Care of.
Co. ..... County, company.
Col. ..... Collection.
Col. and Ex. ..... Collection and exchange.
Com. ..... Commission.
Consgt. ..... Consignment.
Cr. ..... Credit, creditor.
Cts. or ¢ ..... Cents.
Cwt. ..... Hundredweight.
D. B. ..... Day Book.
Dec. ..... December.
Dep. ..... Deposit.
Dft. ..... Draft.
Dis. ..... Discount.
Div. ..... Dividend.
Do. (Ditto) ..... The same.
" (Ditto marks) The same.
Doz. ..... Dozen.
Dr. ..... Debit, debtor.
Ds. ..... Days.
$ ..... Dollars.
Ea. ..... Each.
E. E. ..... Errors excepted.
e.g. ..... For example.
E. & O. E. ..... Errors and omissions excepted.
Estmt. ..... Estimated.
Ex. ..... Example.
Exp. ..... Expense.
Feb. ..... February.
F. or Fol. ..... Folio (page).
F. O. B. ..... Free on board.
Ford. ..... Forward.
Frt. ..... Freight.
Ft. ..... Foot, feet.
Gal. ..... Gallon.
Gro. ..... Gross.
Hhd. ..... Hogshead.
Hund. ..... Hundred.
I. B. ..... Invoice Book.
i.e. (id est) ..... That is.
In. ..... Inches.
Ins. ..... Insurance.
Int. ..... Interest.
Inst. (Instant) ... Present month.
Inv. ..... Invoice.
Invt. ..... Inventory.

Jan. .....January.
J. .....Journal.
J. F. .....Journal folio.
Jt. .....Joint.
£. .....Pounds sterling (English money).
L. .....Ledger.
Lb. .....Pound.
L. F. .....Ledger folio.
M. .....One thousand.
Mar. .....March
Mdse. .....Merchandise.
Mem. .....Memorandum.
Messrs. .....Gentlemen, sirs.
Mfg. .....Manufacturing.
Mo. .....Month.
Mr. .....Mister.
Mrs. .....Mistress.
Mtg. .....Mortgage.
Nat. .....National.
N. B. .....Take notice.
No. or ♯ .....Number. ♯number if written before the number.
Nov. .....November.
Oct. .....October.
O. K. .....All correct.
P. .....Page.
Payt. .....Payment.
Pd. .....Paid.
Per. .....By.
Per cent. .....By the hundred.
% .....By the hundred, per cent.
Pkg. .....Package.
P. O. .....Post Office.
Pr. .....Pair.
Pref. .....Preferred.
Prem. .....Premium.
Prin. .....Principal.
Prox. (Proximo)...Next month.
Pt. .....Pint.
Qr. .....Quarter.
Qt. .....Quart.
Rec'd. .....Received.
R. R. .....Railroad.
S. B. .....Sales book.
Sec. .....Secretary.
Sept. .....September.
Shipt. .....Shipment.
St. .....Street.
Sund. .....Sundries.
T. .....Ton.
Trans. .....Transaction, transportation.
Ult. (Ultimo) ....Last month.
Via .....By way of.
Viz. .....Namely.
W. B. .....Way bill.
Wk. .....Week.
Wt. .....Weight.
XX .....Double extra.
Yd. .....Yard.
Yds. .....Yards.
Yr. .....Year.
Yrs. .....Years.
1¼ .....One and one-fourth.
1½ .....One and one-half or two-fourths.
1¾ .....One and three-fourths.
Lbs. .....Pounds if written after a number.

NEW BOOKKEEPING AND MANUAL OF BUSINESS FORMS

I

PRELIMINARY DEFINITIONS

(The definitions given here may be learned as they are needed in this work or in the order in which they are given. For further definitions and terms see the Glossary of Business Terms at the end of this book.)

Property is anything having exchangeable value, to which a person has a legal title.

A Debt is value, payable at the present time or in the future, legally due from one person to another.

Capital is property invested in business for the sake of profit.

Net Capital is the excess of the property over the debts of a business.

The **Proprietor** is the person who invests capital in a business.

An **Investment** is property thus invested.

Resources or **Assets** are all kinds of available property connected with a business.

Liabilities are all kinds of debts and legal claims payable from a business.

Inventories are itemized lists of goods with their estimated values.

Gain is the excess of proceeds over cost.

Loss is the excess of cost over proceeds.

Net Gain is the amount by which the net capital at the closing of the books exceeds the net capital at opening them.

Net Loss is the amount by which the net capital at opening the books exceeds the net capital at closing them.

Bookkeeping is the science of accounts and the art of recording business transactions in a systematic manner so that the true state of a business may, at any time, be easily ascertained.

A Business Transaction is an exchange of values between two persons called a debtor and a creditor.

A Debtor is the person who receives value.

A Creditor is the person from whom value is received.

Debits and **Credits** are the results of business transactions.

A Debit (from Latin *debet*, he owes) is an entry in a business record against a debtor. It represents that which costs value. It also means that a definite person or personified force is responsible for some value.

A Credit (from Latin *credit*, he intrusts) is an entry in a business record in favor of a creditor. It represents that which produces value. It also means that a definite person or personified property or force has granted some definite value.

An **Account** is a condensed record of one or more business transactions arranged under some appropriate title, with the debits separated from the credits so that their difference may be easily ascertained.

A **Balance** is the difference between the debit and credit sides of an account.

Single Entry Bookkeeping is that method of recording business transactions in which accounts are kept in the ledger with persons only and in which only one entry is made in the ledger for a business transaction whether it is a debit or a credit.

Double Entry Bookkeeping is that method of recording business transactions, which requires equal debits and credits in the ledger.

Cash is a term usually employed to designate money, but in bookkeeping it is generally understood to include not only coin, treasury notes, bank notes, silver and gold certificates but also checks, drafts, and all other business paper receivable by banks at their face value.

Merchandise is a term employed to designate such movable goods as are bought and sold for profit.

Power of Attorney is a written instrument giving an agent authority to act for his principal in matters requiring such written delegation of power.

Real Estate is a term employed to designate immovable property such as houses, lands, mills, manufactories, and the like, the titles to which are conveyed by deed.

Bills Receivable are notes, acceptances, or written promises

to pay a specified amount on time or demand to a specified person or to the business. Another name for Bills Receivable is Notes Receivable.

Bills Payable are notes, drafts, and the like, payable by the business or a specified person.

The **Journal Daybook** is a book of original entry containing a record of each business transaction, at the time, under the date, and in the order of its occurrence with the names of the accounts affected by the transaction showing which accounts are debited and which are credited.

The **Ledger** is a book of accounts in which debits and credits are arranged under their proper titles.

The **Cash Book** is a book in which a record is kept of all cash funds on hand, received, and disbursed.

The **Inventory Book** is a book in which a record is made of all merchandise and other things on hand when the books are opened and of that which remains unsold or unused when the books are closed.

The **Invoice Book** is a book in which a record is kept of merchandise bought.

The **Sales Book** is a book in which a record is kept of merchandise sold.

The **Bill Book** is a book in which a record is kept of the Bills Receivable and Bills Payable connected with a business.

The **Pass Book** is a book furnished by a bank to a depositor in which the bank keeps the depositor's bank account.

The **Check Book** is a book of blank checks which the depositor fills out and issues and in which he keeps his accounts with the bank.

The **Order Book** is a book in which a memorandum is kept of orders to be filled and of sales and purchases to be transferred to other books.

A Red Ink Entry is an entry that never indicates an actual transaction. Closing entries are usually made in red ink in order to distinguish them from the other entries in the ledger. It also indicates that the entries are to be transferred, either to another account, or to the line below the rulings in the same account on the opposite side.

The rulings of an account are usually made in red ink.

II

EXERCISES IN RULING

Work for the Student

Before beginning the study of accounts it would be well for the student to be able to rule neatly and correctly, as neatness and accuracy are two of the chief assets of a good bookkeeper.

The ruling in all subsequent exercises should be made in ink without blotting the page or making heavy or ragged lines.

In ruling with ink see to it that the beveled edge of the ruler is next to the paper so that the point of the pen, when drawn across the page, does not come in contact with the ruler. This will prevent the lines from being blotted and the ink from flowing under the ruler.

First Ruling Exercise

Place a piece of any kind of ruled paper on the desk in front of you. Place the ruler in such a way that you may rule over the first ruled line without lifting the pen from the paper. Repeat until all lines are retraced, then rule between the lines already done.

Second Ruling Exercise

In this exercise the teacher should give the pupil drill in drawing parallel lines such as are used in closing accounts.

Take a piece of any kind of ruled paper, as in the preceding exercise, and rule the entire paper with parallel lines according to the teacher's instructions. These parallel lines should be about one-sixteenth of an inch apart.

Third Ruling Exercise

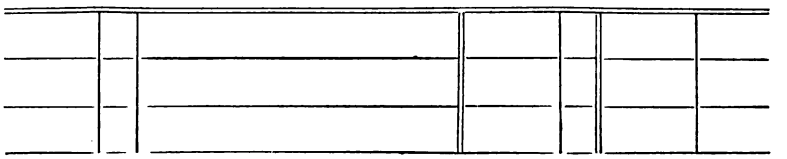
Using the same kind of paper as you did in the preceding exercises, draw perpendicular lines one-eighth of an inch apart down the entire length of the page.

Fourth Ruling Exercise

With the same kind of paper draw oblique lines across the paper one-eighth of an inch apart.

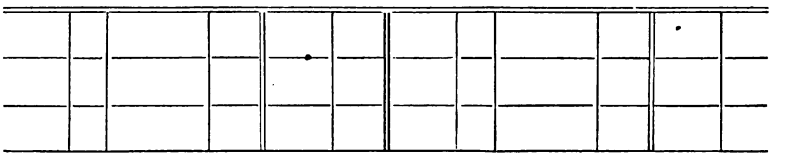
Fifth Ruling Exercise

Take a piece of paper the size of the page of your text-book and rule it in the form of a journal, observing the same spacing as shown in the model journal page below.



Sixth Ruling Exercise

Observe the same general directions given in the fifth ruling exercise and rule a ledger page similar to the model ledger page shown below.



III

BUSINESS TRANSACTIONS

The term "Business Transaction" is not hard to explain. When two boys exchange a ball for an apple, they engage in a trade. If a farmer brings eggs to the country store and receives in return calico and cotton, he and the storekeeper engage in a trade. If the farmer gives his eggs and receives a dollar, they still trade. All such trades or exchanges are called business transactions. So we see that the term "Business Transaction" means simply an exchange of something, very often money, for materials or merchandise.

EXERCISES IN BUSINESS TRANSACTIONS

I

Rule a line down the middle of a page of paper. Make an imaginary trip to a department store and write on the left side of the ruled line what you buy and on the right what you give, thus:

Ribbon	$ .50
Shoes	3.00
Hat	3.00
Pins	.05
Skates	2.00

You gave money or cash for materials or merchandise and so engaged in a business transaction. For brevity you can say you exchanged "merchandise" for "cash," then your paper will look like this:

Merchandise	Cash

II

Make another imaginary trip, this time with no money. You get your articles, but this time ask, as we say, for credit from

the merchant. Write down a list of your purchases at the left of ruled line as in the preceding exercise, and instead of the amount promised place the name of the merchant from whom you received the goods. Next include all of the articles purchased under the one term "Merchandise" and your exercise will take on the following form:

Merchandise | James Mudge

(or the name of the merchant)

III

Now put yourself in the place of a person wishing to dispose of goods for money. Place the money received for each commodity on the left side of the line and the name of the commodities disposed of on the right. Next include the various sums of money under the one term "Cash" and the commodities disposed of under the one term "Merchandise" and your exercise will take on the following form:

Cash | Merchandise

IV

If you sell articles and your purchaser agrees to pay for them later, the name of the purchaser should be placed on the left side of the line and the names of the commodities on the right. After you have included all the articles or commodities sold under the one term "Merchandise," the exercise will be in this form:

Amos Craig | Merchandise

In all these exercises all the items at the left of the perpendicular lines are called "debits" and all at the right "credits."

The general rule for debits and credits will be given and explained later.

The teacher may, at this point, give other exercises to illustrate the principles of debit and credit and the recording of business transactions if it seems necessary.

IV

ACCOUNTS

An account, as we have already learned, is a condensed record of one or more business transactions, arranged under some appropriate title, with the debits separated from the credits in such a manner that their difference may at any time be easily ascertained. This means that the practical bookkeeper must keep such systematic records of the moneys paid out and moneys paid into the business that he may be able, at any time, to see whether the business is being conducted at a profit or a loss and also how much that profit or loss is. From all this, even a person with no knowledge of bookkeeping can see that the account is practically the whole of bookkeeping. The matter is not so easy as it sounds, however, for although an account may be very short and simple, such as any one of you, spending a few dollars, might keep in a notebook so that you might know how you spent the money, there are many more accounts very hard, long, and complicated. Think what an account or set of accounts a large corporation handling many millions of dollars weekly and dealing, in the course of a year, with all kinds of persons, businesses, and dealers must keep. Such corporations employ not one bookkeeper but many and very expert ones. Because the account is of such importance we shall begin the study of simple ones immediately.

Bookkeeping, to be of any use whatever, must be systematic, neat, and accurate. For this reason, paper ruled in a certain way is used by all bookkeepers. An account is divided in the middle by heavily ruled, perpendicular lines, the left side being used for the debits and the right side for credits just as follows:

Dr. MARTIN L. JACKSON *Cr.*

1910				1910			
Jan.	4	402	Jan.	7		400
	5	620		8		622
	6	895		12		700
	7	600		14		795
	8	320		15		200
	9	120		19		30
	10	30			Balance*	240
		2987				2987

*To be written in red ink.

The debit (Dr.) side of the account shows what the account owes you; the credit (Cr.) side of the account shows what you owe the account.

Explained in words, the above diagram means that you, the proprietor, doing business with Martin L. Jackson, on January 4, sold him goods to the value of $402. On January 7, he paid you $400. On January 5, he again purchased goods, this time to the amount of $620. On January 8, he paid $622 and so on to the end of the month, when your bookkeeper, checking up the account, found that you had sold Martin L. Jackson goods to the amount of $2987 and that Martin L. Jackson had paid $2747, the balance yet to be paid being $240. Hence the following rule for debits and credits will apply to every transaction:

Rule; — Whatever one gives to an account should be debited to that account, and whatever one receives from an account should be credited to that account. Another way of expressing the same thought is, debit responsibility and credit accountability or source, which simply means that the account that is responsible for the value, is debited and the account that is held accountable for that value or is the source of that value, is credited.

The **balance** of an account is the difference between the debit and credit sides of the account. The balance should be written in red ink on the smaller side of the account and added to that side so that the two sides will be equal. If the debit side is the larger before the balance is written in, the account owes you and if the credit side of the account is the larger before the balance is

written in, you owe the account. In the above account, you will observe that Martin L. Jackson owes you $240.

Bookkeepers usually arrange all accounts in three general classes — property, personal, and explanation or accommodation accounts.

I. **Property Accounts** are accounts with certain kinds of property, such as cash, merchandise, real estate, notes or bills, and the like.

II. **Personal Accounts** are accounts with persons including the proprietor, partners, and legal corporations.

III. **Explanation** or **Accommodation Accounts** are accounts with certain charges, deductions, and the like, such as interest, discount, and expense.

V

PROPERTY ACCOUNTS

Property Accounts are accounts with certain kinds of property, such as cash, merchandise, real estate, and the like. Of all the kinds of Property Accounts, the Cash Account is the simplest and most useful. It is important to all classes of people because, by means of the Cash Account, each one is able to keep a record of his every-day business transactions. By means of the Cash Account the housekeeper knows how much she spends at the grocery store, the bakery, and the butcher shop. The Cash Account shows the dressmaker how much she earns and how she spends her wages; it shows the wage-earner what his employer pays him and how he stands financially with the coal dealer, the gas company, and the landlord; it shows a young man what his earnings are and how he spends his money.

By cash is meant specie, bank-bills, checks, bank drafts, postal, telegraph and express money-orders, etc.

The object of the Cash Account is to show our dealings in cash and the balance of cash on hand. All cash received is placed on the debit or left hand side of the Cash Account and all cash paid out is placed on the credit or right hand side of the Cash Account. The difference between the debit and credit sides of the Cash Account shows the balance of cash on hand.

Following are a number of examples illustrating the Cash Account which are to be solved by the student. The number of the items represent the days of the month in all examples.

NOTE: Whether or not all the examples in this book shall be used is left to the discretion of the teacher.

Example I

January 1, 19—. Received cash $215. 2. Received cash $26.40. 3. Paid cash $45. 4. Received cash $800. 5. Paid cash $25. 6. Paid cash $715. 7. Received cash $113.25. 8. Re-

ceived cash $60.30. 9. Paid cash $28.47. 10. Paid cash $125. 11. Received cash $1.25. 12. Paid cash $200. What is the balance of cash on hand?

The above example is solved in the following manner. Rule a Cash Account similar to the one shown in the illustration below, and place all the cash received on the debit side of the account and all the cash paid out on the credit side of the account. Place the balance of the Cash Account, in red ink, on the credit side of the account and rule and foot the account as shown below.

CASH

19—						19—					
Jan.	1			$215		Jan.	3			$ 45	
	2			26	40		5			25	
	4			800			6			715	
	7			113	25		9			28	47
	8			60	30		10			125	
	11			1	25		12			200	
								Balance*		77	73
				$1216	20					$1216	20

*To be written in red ink.

All subsequent examples should be performed in the same way.

Example II

March 1, 19—. Cash on hand $3200. 2. Paid James Nelson for merchandise $2844.25. 3. Paid rent of store for the month of March $100. 4. Paid for sundry expenses $35.65. 5. Received from cash sales $25. 6. Received from cash sales $30. 8. Paid Charles Chandler on account $50. 9. Received from cash sales $15. 10. Received from cash sales $125. What is the balance of cash on hand March 10, 19—?

Example III

November 1, 19—. Cash on hand $57.75. 2. Received cash for merchandise $27. 3. Paid cash for postage stamps $4. 4. Received cash for sale of merchandise $45. 5. Paid cash for stationery $15. 6. Bought merchandise for cash $67.87. 8. Paid cash to clerk $12. 9. Sold merchandise for cash $115. 10. Paid

cash for advertising in the Salem *Evening News* $24. 11. Paid janitor $10. 12. Received of the E. W. Woodman Co. on account $37.50. 13. Paid rent $30. What is the balance of cash on hand?

Example IV

December 1, 19—. Received cash from husband $20. 2. Paid milk bill $1.96. 3. Paid grocery bill $4.16. 4. Received cash for returned cream bottles, 6 bottles @5¢ = 30¢. 5. Paid cash for a bushel of potatoes $1. 6. Sold for cash 8 lbs. of butter @ 35¢. 7. Paid butcher's bill $6.50. 8. Sold for cash 60 lbs. of chicken @ 20¢. 9. Bought for cash 4 yards of silk @ $1. 10. Paid dressmaker's bill $3.25. 11. Paid subscription to *Youth's Companion* $1.75. 12. Received from summer boarder $25. 13. Received $40 for antique chair sold to collector. 14. Paid $25 for kitchen cabinet. What is the balance on hand?

Example V

August 1, 19—. Charles F. Allen received one month's salary $100. 2. Paid one month's room rent $10. 3. Paid board for one month $24. 4. Received cash from sale of stamp collection $5. 5. Paid laundry $4. 6. Bought suit of clothes $25. 7. Rented bicycle to William Adams $2. 8. Received cash for working overtime $10. How much did Mr. Allen save?

Example VI

April 1, 19—. Received cash from the proprietor $400. 2. Paid cash for rent $30. 3. Received cash for merchandise $60. 4. Paid Charles Smith on account $75. 5. Received cash from William L. Silsbee on account $100. 6. Paid cash for bicycle $30. 7. Received damage claim from the railroad company $15. 8. Bought for cash merchandise $200. 9. Received a legacy from deceased aunt's estate $250. 10. Paid tailor for repairing and pressing clothes $2. Find the balance of this account.

Example VII

May 1, 19—. Balance on hand $1412.75. 2. Paid cash for merchandise $650. 3. Received cash from Ames and Company $27.63. 4. Received cash from Charles Glidden to balance his account $140. 5. Lent William Lawrence $47.50. 6. Sales of

merchandise for cash $63.17. 7. Bought a horse for cash $200. 8. Received cash for interest on mortgage $300. 9. William Lawrence paid back amount borrowed on the 5th. 10. Received cash from Charles Miller on his account $27.50. 11. Paid cash for merchandise $617.50. What is the balance of cash on hand?

Example VIII

June 1, 19—. Cash on hand $6. 2. Paid for gloves $1.50. 3. Received month's salary $60. 4. Paid board for month $24. 5. Deposited in Savings Bank $8. 6. Paid for book on Commercial Law $1.50. 7. Bought two tickets for Symphony concert $2. 8. Paid car fare 10¢. 8. Bought for cash, 6 collars 75¢ and 3 pairs cuffs 75¢. 9. Received cash for singing in church choir $12. 10. Paid cash for fancy vest $4. What is the balance of cash on hand?

Example IX

June 1, 19—. Received from father $25 for Commencement expenses. 2. Paid $5 class dues. 3. Paid $3 for class pin. 4. Paid $1 for class picture. 5. Received from aunt $15 as a Commencement present. 6. Lent classmate $3. 7. Paid dues for class memorial $3. 8. Paid $3 for long gloves. 9. Paid $2 car fare to class picnic. 10. Paid $1 for autograph book. 11. Paid assessment for gift to principal $1. 12. Received loan made on the 6th. 13. Bought hair ornament 75¢. 14. Paid for having oration typewritten $2. 15. Paid carriage hire $2. What is the balance of cash on hand?

Example X

July 5, 19—. Received monthly allowance from father $20. 6. Paid church dues $2. 7. Paid back money borrowed from brother $5. 8. Bought book $1.50. 9. Received money lent to sister $10. 10. Paid for roses for table $1.50. 11. Paid for candy 80¢. 12. Paid to City Mission $2. 13. Paid for Literary Society dues $2. 14. Paid for subscription to library $1.50. 15. Sold piece of embroidery $5. 16. Received $3 for helping in father's office. 17. Paid dentist's bill $1.50. 18. Paid laundry bill $1. 19. Paid child's fare to the country $1.50. 20. Received for working at office $2. What is the balance of cash on hand?

MERCHANDISE ACCOUNT

The object of the Merchandise Account is to show our dealings in merchandise and whether we have made a profit or sustained a loss. By merchandise is meant all goods the proprietor is dealing in as a business. For instance, if the proprietor is dealing in boots and shoes, all boots and shoes bought and sold by him are merchandise. The Merchandise Account is debited with the cost of merchandise and also with any charges incurred upon it before it reaches us, such as freight and drayage charges, insurance, and the like, and is credited with all sales.

After the merchandise is all sold, if the debit side of the account is larger than the credit side, there has been a loss. If the credit side is larger than the debit side, there has been a gain. If the merchandise is not all sold, the amount remaining unsold, valued at cost price, should be placed in red ink to the credit side of the account before finding the loss or gain. The reason for placing the value of the unsold merchandise in red ink on the credit side of the account is because all the merchandise purchased appears on the debit side of the account and the unsold merchandise is included in that amount. The record of the unsold merchandise is a temporary record and is made for the special purpose of ascertaining whether or not there has been a gain or loss and offsets the same amount included in the debit side. It will later be transferred to another place, so it is entered on the credit side at this time in red ink.

This unsold merchandise is called the inventory of merchandise.

In opening a set of books, the Merchandise Account should be debited for the amount of merchandise on hand or the inventory of merchandise.

Example I

October 1, 191—. Bought merchandise for cash $2460. 2. Paid cash for insurance of merchandise $40. 3. Sold merchandise for cash $312.25. 4. Bought merchandise of William Archer $412. 5. Sold merchandise to Charles Lamb on account $315. 6. Sold merchandise to Clarence Dumm for cash $14.17. 7. Shipped merchandise to Bates and Torrey, Boston, to be sold on my account $1500. 8. Bought merchandise of Williams and

Company on account $456.75. 9. Sold merchandise for cash $125. 10. Value of unsold merchandise (inventory) $1480. What was the gain or loss?

The following illustrates the way the Merchandise Account is kept. Trace the preceding example through the following account and perform all the other examples in the same manner.

MERCHANDISE

19—						19—					
Oct.	1			$2460		Oct.	3			$ 312	25
	2			40			5			315	
	4			412			6			14	17
	8	Gain*		456	75		7			1500	
				377	67		9	Inven-		125	
							10	tory *		1480	
				$3746	42					$3746	42

* To be written in red ink.

Example II

March 1, 19—. Bought of Andrew Smith for cash 250 bu. wheat @ 85¢. 2. Sold for cash 10 bu. wheat @ 88¢. 3. Bought of Charles White for cash 275 bu. corn @ 65¢. 5. Sold for cash 25 bu. wheat @ 89¢. 7. Bought of Cobb, Bates and Yerxa 50 doz. eggs @ 35¢. 8. Sold to A. J. Meredith 10 doz. eggs @ 40¢. 9. Sold to C. L. Chapman 5 doz. eggs @ 40¢. 11. Bought for cash 20 bbls. flour @ $5. 13. Sold for cash 5 bbls. flour @ $6. 15. Paid freight on merchandise $15. 17. Value of unsold merchandise $300. Did the proprietor gain or lose, and how much?

Example III

April 1, 19—. Merchandise on hand $2500. 2. Bought merchandise of C. H. Craighead on account $500. 3. Sold merchandise to Sampson and Company $845. 4. Shipped to Charles English, Trenton, N. J., to be sold on my account, merchandise $750. 5. Returned damaged goods to C. H. Craighead $75. (Cr. mdse.) 6. Sold merchandise for cash $267.67. 7. Gave Sampson and Company credit for goods returned $45. (Dr. mdse.) 8. Sold merchandise to Charles Warren on account $247. 9. Value of unsold merchandise $900. What was the gain or loss?

Example IV

May 1—. Merchandise on hand as per inventory $9500. 2. Bought merchandise for cash $1345. 3. Sold merchandise to Henry W. Harrington and Son at 60 days $2675. 4. Sold merchandise for cash $625. 5. Bought merchandise of F. A. Clark on account $1150. 6. Paid cash for freight from New York on last invoice $100. 7. Bought merchandise of Lit Brothers, Philadelphia, on our note at 3 mos. $3750. 8. Sold merchandise for cash $479.83. 9. Shipped merchandise to Ryder and Company, Portland, Maine, to be sold on account $600. 10. Sold merchandise to James Marvel on account $138.65. 11. Gave James Marvel a discount on his last bill $4.16. 12. Sold merchandise for cash $745.84. 13. Value of unsold merchandise $8500. What was the gain or loss?

Example V

March 1, 19—. Merchandise on hand $6000. 2. Sold J. R. Servis on account one side-bar buggy $87.50. 3. Sold Melville Watts on his note at 60 days 1 combination buggy $90. 4. Bought of the Union Carriage Company on my note at 60 days a bill of merchandise $642.75. 5. Sold J. A. Towne on account 1 double harness $37.50; 1 single harness $18.75; 2 robes @ $12. 6. Sold Solon Dodge on his note at 6 months 1 cabriolet $250; 1 delivery wagon $70. 7. Sold Thomas Newton on account 1 phaeton $150; 1 harness $42; 1 whip $2.75. 8. Merchandise on hand $5930.47. What is the gain or loss?

Example VI

May 1, 19—. Bought of Samuel C. Crane bill of merchandise for cash $64.15. 2. Sold Moses True for cash, bill of merchandise $8.75. 3. Bought of Charles C. Dorr, on our note at 30 days, bill of merchandise $77.50. 6. Sold Stephen Wright on his note at 60 days bill of merchandise $99. 9. Bought of William King on account bill of merchandise $11. 10. Sold Frank P. Hunters on account bill of merchandise $45. 11. Sold Byron F. Huse bill of merchandise on account $76. 12. Bought of Stone and Ames on account bill of merchandise $171.50. 15. Value of unsold merchandise $2000. What is the gain or loss?

Example VII

April 1, 19—. Merchandise on hand $5500. 2. Bought a bill of farm implements on our note at 90 days $341.50. 3. Sold J. F. Fessenden on account 1 reaper $80. 4. Sold J. A. Hathaway 1 mowing-machine $15; 1 patent harrow $90. 5. Bought bill of merchandise of A. L. Sweeten on account $275. 6. Bought of F. P. Borman on account bill of goods $134.25. 7. Merchandise on hand at closing estimated at $6342.40. What is the gain or loss?

Example VIII

May 1, 19—. Bought of S. S. Pierce and Company groceries as per invoice $247.65. 2. Sold for cash 2 doz. eggs @ 38¢; 1 dozen navel oranges @ 35¢; 2 lbs. granulated sugar @ 6¢. 3. Sold A. J. Thompson on account 1 bottle of ammonia 10¢; 1 pk. potatoes @ 28¢; ½ peck of onions @ 30¢; 2 cans of corn @ 25¢; 1 dozen oranges 35¢. 4. Bought of S. S. Pierce and Company as per invoice $50. 5. Returned to S. S. Peirce and Company damaged goods $24.75. 6. Sold A. J. Kennedy on his note at 30 days merchandise to the amount of $125. 7. Sold merchandise to Frank Bartlett $137.50. 8. Gave to the City Missionary Society merchandise to the value of $75. 9. Exchanged merchandise for concert tickets $3. 10. Give a value to the unsold merchandise and find the gain or loss.

Example IX

June 1, 19—. Merchandise on hand $2500. 2. Bought of W. G. Webber and Company 3 tapestry rugs @ $11.98; 5 Brussels rugs @ $24; 6 Axminster rugs @ $24. 3. Sold for cash 3 pairs plain muslin curtains @ 39¢; 2 pairs flat muslin curtains @ 75¢. 4. Sold to Samuel Davis on account 1 tapestry rug @ $16 and 1 Brussels rug @ $28.50. 5. Sold Clark Smith on his note at 60 days 1 Axminster rug @ $28; 1 Japanese chamber rug @ $18. 6. Bought of W. G. Webber and Company on our 30-day note 6 Royal Wilton rugs @ $29.75. 7. Sold for cash 3 pairs Arab-colored bobbinet curtains @ $2.25; 3 pairs Marie Antoinette curtains @ $4.50. 8. Returned 1 damaged chamber rug $14. 9. Sold to E. F. Woodman on account 20 squares yards genuine Cork linoleum @ 45¢ square yard; 15 yards best China straw matting @ 25¢; 1 bath mat $1.87. 10. Inventory of merchandise $1500. Find the amount of gain or loss.

Example X

November 1, 19—. Inventory of merchandise on hand $4750. 2. Bought of Charles S. Grant on account merchandise as per invoice $1785. 3. Sold Henry T. Warner on his 30-day note merchandise $785.45. 4. Sold for cash merchandise $37.50. 5. Gave to the North End Mission merchandise to the value of $15.75. 6. Returned damaged goods to Charles S. Grant $47.85. 7. Sold to Allen F. Wright on 30 days' credit merchandise $687.34. 8. Sold to Frank George on account merchandise $178.67. 9. Took for my own use at home merchandise $67. 10. Sold merchandise for cash $10.75. 11. Inventory of merchandise on hand $5627.49. 12. What was the loss or gain on this account?

REAL ESTATE ACCOUNT

The object of the Real Estate Account is to show our dealings in real estate. By the term "Real Estate" is meant land and everything attached thereto, such as houses, factories, stores, growing timber, etc.

The Real Estate Account is debited with the cost of the property and all charges incurred upon it and credited with all sales and income from it. The difference between the debit and credit sides shows the gain or loss. As in the Merchandise Account, if the property is left unsold, its present valuation, or inventory, should be credited to the account before finding the gain or loss.

Example I

September 1, 19—. I own house No. 4 Willow Avenue valued at $5000, house No. 172 Federal Street $8000, and store No. 322 Essex Street valued at $35,000. 2. Received check for rent of Willow Avenue house $60. 3. Paid cash for insurance on houses and store $50. 4. Paid for papering parlor of Willow Avenue house $12. 5. Received cash for rent of Federal Street house $75. 6. Paid for plumbing Federal Street house $27.25. 7. Received rent of store 322 Essex Street $100. 8. Paid cash for repairing store $25. 9. Sold Willow Avenue house $7000. 10. The Federal Street house is valued at $9000, store valued at $36,000. What is the gain or loss?

The following illustrates the Real Estate Account the items of which are taken from Example I. Trace Example I through the following account and perform all subsequent examples in like manner.

REAL ESTATE

19—						19—					
Sept.	1			$5,000		Sept.	2			$ 60	
	1			8,000			5			75	
	1			35,000			7	Inven-		100	
	3			50			9	tory*		7,000	
	4			12			10	Inven-		9,000	
	6			27	25		10	tory*		36,000	
	8			25							
	10	Gain*		4,120	75						
				$52,235	00					$52,235	00

*To be written in red ink.

Example II

October 1, 19—. Bought Hotel Chester $245,000. 2. Paid for repairs $400. 3. Paid for insurance of hotel $2750. 4. Received for rent of hotel $15,000. 5. Bought fixtures of bowling alley $250. 6. Paid for painting hotel $1000. 8. Paid for repairs $35. 9. Property estimated at cost. What was the gain or loss?

Example III

November 1, 19—. Value of real estate at beginning of the month $12,605. 2. Paid agents for renting house in North Salem $25. 3. Paid for advertising lot on Lafayette Street for sale $14.50. 4. Received for rent of store No. 347 Essex Street $800. 5. Paid taxes on land on Lafayette Street $375. 6. Sold house in Lynn $3500. 7. Paid insurance on house in North Salem $60. 8. Paid agent for selling house in Lynn $70. 9. Bought farm in Lincolnville, Maine $500. 10. Value of real estate at close $18,906. What was the gain or loss?

Example IV

June 1, 19—. We own house No. 46 Elm Street, Saxonville, Mass., worth $6000. 2. Paid water tax on the above-mentioned house $10. 3. Paid for building a fence $46.50. 4. Painted the house at a cost of $150. 5. Received for rent

$30. 6. Paid for insurance $18. 7. Value of house at closing $6500. What was the gain or loss?

Example V

June 1, 19—. We own farm in Saxonville, Mass., valued at $10,000. 2. Paid for fencing farm $225. 3. Sold wood standing on farm $750. 4. Paid for digging a well on farm $75. 5. Sold crops on farm $250. 6. Value of farm at closing $11,000. What was the loss or gain?

Example VI

July 1, 19—. Bought warehouse on T Wharf, Boston, for $30,000. 2. Paid taxes on warehouse $495. 3. Paid insurance $275. 4. Paid for plumbing $100. 5. Received for rent of warehouse $375. 6. Paid for repairs $250. 7. Value of warehouse at closing estimated at its original cost. What is the gain or loss?

Example VII

August 1, 19—. I own timber land valued at $25,000. 2. Paid for spraying trees for the Gypsy Moth $75. 3. Paid for advertising land for sale $25. 4. Received cash for sale of 20 cords of wood (standing) $100. 5. Sold entire land for $30,000. What did I gain or lose?

Examples VIII, IX, and X

(*Three Accounts*)

July 1, 19—. We own house No. 728 Wesley Avenue, Ocean City, N. J., worth $7500, Hotel Mayberry; Ocean City, N. J., $75,000; bowling alley on the Board Walk $20,000. (Open an account with each piece of property and show the loss or gain on each.) 2. Paid water tax for house $10. 3. Paid for repairs of Hotel Mayberry $250. 3. Received for rent of house for the summer season $400. 3. Received for rent of bowling alley for three months $1000. 5. Paid for repairs on bowling alley $50. 6. Rented Hotel Mayberry for three months $10,000. 7. Paid for screening windows in Hotel Mayberry $35. 8. Paid for insurance on house $25, hotel $200, bowling alley $18. 9. Paid water tax for hotel $25. 10. Value of house at close of season estimated at total cost, hotel and bowling alley also valued at total cost.

BILLS RECEIVABLE

Another name for the Bills Receivable Account is Notes Receivable.

The object of this account is to show our dealings in other people's notes and acceptances and the amount of such paper as we have on hand. Before proceeding further it will be necessary to define the terms notes, drafts, and acceptances. (This subject will be treated more fully in a subsequent chapter.)

Promises to pay are of two kinds, written and oral. Written promises to pay are usually notes and drafts.

A negotiable **Promissory Note** is an unconditional promise in writing made by one person to another, signed by the maker, engaging to pay, on demand, or at a fixed or determinable future time, a certain sum in money to order or to bearer.

A **Draft** is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a certain sum in money, to order or to bearer.

An Acceptance is the agreement of the person on whom the draft is drawn to meet the draft or bill according to its tenor.

If James Hadley, of Milwaukee, Wis., bought merchandise to the value of $475.25, June 7, 1910, from Charles F. Smith, of that city, and gave his note (written promise to pay) due in thirty days, the note would read as follows:

$475 25/100 Milwaukee, Wis. June 7, 1910.

Thirty days after date I promise to pay

to the order of Charles F. Smith

Four hundred seventy five and 25/100 Dollars

Payable at Commercial Bank

Value received

No. 34 Due July 7, 1910. James Hadley.

In the above note the person who signs the note, James Hadley, is called the drawer or maker and the person to whom it is to be paid, Chas. F. Smith, is called the payee.

If Smith wished to dispose of this note he would transfer it to the person to whom he wished to give it by writing on the left end of the back of the note these words:

Pay to the order of Samuel T. Jones,
Charles F. Smith.

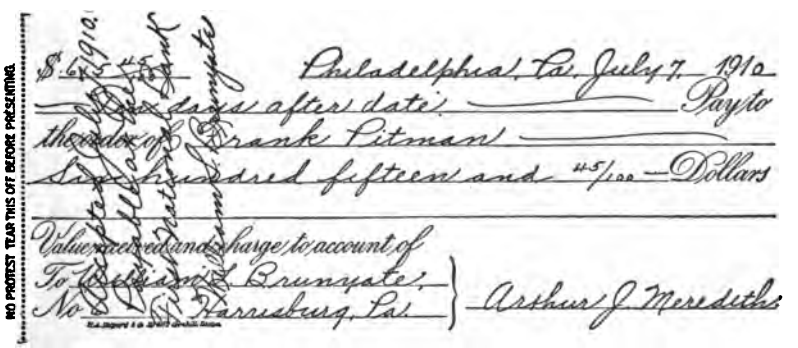
This is called an endorsement in full and makes the note payable to Samuel T. Jones's order only.

The following illustrates the form of endorsement just described.

Pay to the order
of Samuel T. Jones.
Charles F. Smith.

If Arthur J. Meredith, of Philadelphia, Pa., owed Frank Pitman of Harrisburg, Pa., $615.45 and William L. Brunyate of Harrisburg, Pa., owed Arthur J. Meredith the same amount, Arthur J. Meredith could draw a draft on William L. Brunyate in favor of Frank Pitman for $615.45. If Mr. Brunyate agreed to this he would accept the draft by writing across the left end of the face these words: Accepted July 7, 1910, payable at the First National Bank, William L. Brunyate. This acceptance would mean that Mr. Brunyate would pay Mr. Pitman, ten days after date, $615.45, thus settling his indebtedness to Mr. Meredith and Mr. Meredith's indebtedness to Mr. Frank Pitman.

The following form illustrates the draft and acceptance:


NO PROTEST TEAR THIS OFF BEFORE PRESENTING
$615.45
Philadelphia, Pa. July 7 1910
Ten days after date Pay to
the order of Frank Pitman
Six hundred fifteen and 45/100 Dollars
Value received and charge to account of
To William L. Brunyate,
No. Harrisburg, Pa.
Arthur J. Meredith

The **Bills Receivable Account** is debited for the face value of all notes or acceptances received and credited for all such notes and acceptances disposed of. The account is also credited when the face amount of the notes or acceptances is paid to us in cash or otherwise realized upon. The excess of the debit side over the credit shows the amount of other people's notes or acceptances we have on hand.

When another person's note or written promise to pay comes into our possession, the amount, or face, is placed on the debit side of the account, and when it goes out of our possession is placed on the credit side of this account. The face of the note, that is, the original amount for which it is given, is the sum to be placed to the Bills Receivable Account, no attention being paid so far as this account is concerned to any interest we may receive or discount we may pay.

Example I

May 1, 19—. George Foster gave us his note at thirty days to apply on account $250. 2. Received Samuel Slater's note in full of account $345.75. 3. Sold merchandise to Frank Smith, receiving his sixty-day note in part payment $200. 4. Samuel Slater pays his note $345.75. 5. Albert Barrett gave us his note for $675. 6. Received cash on George Foster's note $250. 7. Received John Drake's acceptance $475. 8. Transferred Frank Smith's note to Richard Harding $200. 9. James Gamble gave us his note for $150. 10. Received cash on John Drake's acceptance $475. 11. Sold Fred England merchandise on his thirty-day note $675. What is the amount of paper on hand?

The following illustrates the form of Bills Receivable. Trace the transactions of the preceding example through the following illustration:

BILLS RECEIVABLE

19—					19—				
May	1	$250		May	4		$345	75
	2	345	75		6		250	
	3	200			8		200	
	5	675			10	Balance*	2450	10
	7	475						
	9	150	10					
	10	475						
	11	675						
		$3245	85				$3245	85

*To be written in red ink.

Example II

June 1, 19—. Notes on hand as follows: Charles H. Hutchins $250; William H. Shelley $312.50; Thomas W. Fessenden, $125. 2. George Z. Adams gave us his thirty-day note to apply on account $375.25. 3. Sold merchandise to Dittig and Company, receiving their note in part payment $412. 4. Thomas W. Fessenden pays his note $125. 5. Gave William H. Shelley's note to S. S. Pierce and Company, Boston, to apply on account $312.50. 6. Received a note from John Parsons to apply on account $467. 7. William H. Shelley bought merchandise on his second note $165. 8. Charles Hutchins paid his note $250. 9. Sold merchandise to Champ Clark receiving his thirty-day note for $485.75. 10. Received Osgood and Brown's acceptance $687.34. What is the amount of paper on hand?

Example III

July 1, 19—. Reuben Ludlam gave us his note for $325. 2. Sold merchandise to Samuel Russell on his thirty-day note $475. 3. Ira G. Champion gave us Massey and Edwards' note to apply on account $635. 4. Received cash on Samuel Russell's note $200. 5. J. M. Chester gave us his note for $50 to apply on account. 6. Sold Harry Lake merchandise and received his note in payment therefor $255. 7. We gave W. H. Thomas, J. M. Chester's note to apply on our account $50. 8. Reuben Ludlam paid his note $325. 9. Endorsed Harry Lake's note to Curtis Corson in payment for goods $255. (This note has gone out of our possession and should be placed on the credit side of the Bills Receivable Account.) 10. W. Scott Hand gave us his note for $475. What is the amount of paper on hand?

Example IV

August 1, 19—. We have on hand the following notes: Percy Comer $450; Frank Manlove $225; Irvin Kline $300; Clarence Dumm $150. 2. Henry Lawrence gave us his note at thirty days to apply on account $85. 3. Clarence Dumm pays his note $150. 4. Sold Henry Macaulay merchandise for $500, receiving payment in cash $225 and his note for the balance. (Post only the note received, $275; do nothing with the cash.) 6. Transferred Percy Comer's note to Fred B. Wills

to apply on my account $450. 7. Received cash $225 on Frank Manlove's note. 8. Sold merchandise to Milnor Doery, receiving his thirty-day note in payment, $225.50. 9. Sold Ellard Buck merchandise on his note $65. 10. We gave Benjamin F. Terhune, Henry Lawrence's note to apply on our account $85. What is the amount of paper on hand?

Example V

September 1, 19—. Notes on hand as per close of Example IV. 2. Sold to James Allen on his thirty-day note merchandise $345.25. 3. John Smith accepted our draft drawn on him for $675.46. 4. James Allen paid his note of the second $345.25. 5. Received from Charles S. Foster a note to apply on account $485. 6. Gave William Cline, Charles S. Foster's note to apply on our account $485. 7. Bought Charles Lamb's note for $300 at a discount of $3. (Although we paid only $297 for this note, the face of it, $300, must be posted. Pay no attention to the discount of $3 in this example.) 8. Sold Charles T. Harris on his note merchandise $495.67. 9. Received Jacob Welch's acceptance of our draft $614. 10. Received Nelson Cardwell's sixty-day note for $787.25. What is the amount of paper on hand?

Example VI

October 1, 19—. We have the following paper on hand: James Loring's note at ninety days for $325, S. W. Cushing's acceptance for $275, Albert Barrett's note at 60 days for $475. 2. Received Allen and Hunt's note to apply on account $860. 3. Had Albert Barrett's note discounted at the First National Bank, discount $2.38. 4. Deposited James Loring's note in the First National Bank for collection. (Make no entry of this until the bank officials notify you that the note has been collected.) 5. Exchanged notes with Russell Ireland for his accommodation $750. (Post only the note Ireland gives us.) 6. S. W. Cushing paid his acceptance $275. 7. Received a note from Albert Hartley to apply on account $614. 8. The First National Bank officials notify us that Loring's note has been collected and the amount placed to our credit $325. (Credit Bills Receivable.) 9. Gave Allen and Hunt's note $860 to Ralph Pearce in payment for merchandise. 10. Clarence Owens gave us his note to apply

on account $875. 11. Andrew Johnson gave us his note to settle his account $715.45. 12. Bought James Mudge's note of $400 at a discount of $3.93. What is the amount of paper on hand?

Example VII

November 1, 19—. We sold to George D. Ryder on his note at 30 days 150 bu. of corn @ 55¢. 2. Sold Frank Martin on his note at 10 days 275 bu. of corn @ 54¢. 3. William Jones gave us his note at 60 days for invoice of October 28th $418.75. 4. Sold merchandise to William Alexander on account, receiving his note for $175 in part payment. 5. We left George D. Ryder's note at the First National Bank for collection. 6. Endorsed William Jones' note to Samuel Winslow to apply on our account $418.75. 7. Charles Ham borrowed $150 of us and gave us his thirty-day note with interest for the amount. 8. George D. Ryder's note of the 1st has been collected and the amount placed to our credit. 9. Sold merchandise to C. A. Simpson on his note at 10 days $126.50. 10. William Wilson gave us his note to apply on account $515. 11. James Scull accepted a draft drawn on him by us to apply on account $487.68. 12. Frank Martin paid his note of the 2d. Find the amount of paper on hand.

Example VIII

December 1, 19—. We have on hand notes to the amount of $1500. 2. Sold Earl Eastman on his note at 30 days, merchandise $498.67. 3. Received a ten-day note from Waldo Stevens to apply on account $157.43. 4. Loaned Nehemiah Scott $500, receiving his ninety-day note with interest for the same. 5. Left Nehemiah Scott's note at the Central National Bank for collection. 6. Charles Wesley gave us John Walsh's note for $400 to apply on account. 7. We gave John Walsh's note to Jesse Lee to apply on account. 8. Arthur J. Meredith borrowed of us $385, giving his thirty-day note for the same. 9. We gave Frank Love, Earl Eastman's note to apply on account $498.67. 10. John B. Rippere paid his note for $659. 11. Charles Billington owes us $35 and gave his ten-day note for the same. 12. Waldo Stevens paid his note of the 3d instant. What is the amount of paper on hand?

Example IX

January 1, 19—. William Chandler gave us his note on account $534. 2. Charles F. Duncan gave us his note on account $486. 3. Sold merchandise to William L. Silsbee, receiving his note for $445 and cash $100. 4. Charles Dana accepted a draft drawn by us on him for $897.34. 5. Endorsed William L. Silsbee's note to William Lincoln in payment for goods. 6. Sold merchandise to James Madison and received his note in payment $74. 7. Wilson Clark borrowed $455 of us and gave us his ninety-day note for the amount. 8. Clark and True gave us their note on account $512. 9. William Chandler paid his note $534. 10. Campbell and Co. gave us their note to apply on account $124. What is the balance of this account?

Example X

February 1, 19—. We have on hand the following notes: Harry P. Day $400, Harvey Lake $275, Wesley Simmons $666.66. 2. Received a note from Andrew and Clark on account $491.27. 3. Harry P. Day pays his note of the 1st instant. 4. Sold William L. Brunyate merchandise for $675, receiving payment one-half in cash and one-half by a thirty-day note. 5. Endorsed William L. Brunyate's note to Herbert K. England in payment for goods. 6. Sold merchandise to James Martin, receiving his thirty-day note in payment $576.15. 7. Bought Thompson and Brown's note of $800 at discount of $7.86. 8. Had James Martin's note of the 6th discounted at the Central National Bank, proceeds $575.95. 9. Charles S. Woodward gave us his ten-day note to apply on account, $653.25. 10. Placed Charles S. Woodward's note in the Central National Bank for collection. 11. Sold merchandise to Richard Donnelly $745, receiving his ninety-day note in payment. 12. Christopher Washington gave us his note to apply on account $418.49. What is the amount of paper on hand?

BILLS PAYABLE

The object of the **Bills Payable Account** is to show the notes we give, the drafts we accept, and the amount of our outstanding paper. When we give our note or accept a draft drawn on us, the Bills Payable Account is credited, and when we pay our note

or acceptance in cash or otherwise redeem it, the Bills Payable Account is debited. The excess of the credit side over the debit shows the amount of our outstanding paper. Our notes that are unpaid or not disposed of appear only on the credit side of the Bills Payable Account. As in the Bills Receivable Account, deal only with the face of the note, paying no attention to interest or discount until you have studied the Interest and Discount Account.

Example I

March 1, 19—. Gave E. S. Corson our note to apply on account $518. 2. Bought merchandise of Titus and Co. on our thirty-day note $417. 3. Paid our note to E. S. Corson $518. 4. Bought merchandise of Jordan Marsh Company, giving in part payment our note for $846. 5. Issued our ten-day note to R. H. White Company for $787.43. 6. Gave our note to Chase and Sanborn for $112. 7. Gave our note to Jaynes and Company $654. 8. Borrowed $25 from A. B. Meredith giving our note at 30 days for the amount. 9. Gave our note to Charles Samson $418.69. What is the amount of our outstanding paper?

The following illustrates the manner of keeping the Bills Payable Account. Trace the transactions of the preceding example through the following account:

BILLS PAYABLE

19—						19—				
Mar.	3			$518		MAR.	1		$518	
	9	Balance*		3260	12		2		417	
							4		846	
							5		787	43
							6		112	
							7		654	
							8		25	
							9		418	69
				$3778	12				$3778	12

*To be written in red ink.

Example II

April 1, 19—. Gave our note to C. L. Young $240. 2. Bought merchandise of Fred Nickerson and gave him our note for the amount $357. 3. Issued our note to Philip Spencer $503.

4. Paid our note to Fred Nickerson $357. 5. Bought merchandise of George L. Bates giving in part payment our note for $985. 6. Redeemed our note to C. L. Young $240. 7. Gave Jones and Company our note on account $714.65. 8. Paid our note to Philip Spencer $503. 9. Bought merchandise of Low and Sons, giving our note for $175. 10. Gave our note to Edwards and Company to apply on account $412. What is the amount of outstanding paper?

Example III

May 1, 19—. We gave Reuben Ludlam our note for $325. 2. We bought merchandise of Samuel Russell on our thirty-day note $475. 3. We gave Ira G. Champion our note to apply on account $635. 4. Paid cash on our note to Samuel Russell $200. 5. We gave J. M. Chester our note for $50 to apply on account. 6. Bought merchandise of Harry Lake and gave our note in payment $255. 7. We gave W. H. Thomas our note to apply on account $50. 8. We paid our note to Reuben Ludlam $325. 9. Gave Curtis Corson our note in payment for goods $255. 10. We gave W. Scott Hand our note for $475. What is the amount of our outstanding paper?

Example IV

June 1, 19—. Our outstanding notes are as follows: John Spencer $958, Smith Baker $657, George Fox $520. (Credit these items.) 2. Gave our note to Spencer Barrett to apply on account $450. 3. Redeemed our note to John Spencer. 4. Bought merchandise of Appleby and Company on our note at 30 days $675. 5. Paid our note to George Fox $520. 6. Had our note discounted at the Second National Bank, face $5000; discount $102.50. (Credit the account with the face of the note.) 7. Bought merchandise of William F. Anderson on our note $412. 8. Issued a note to Percy Joy to apply on account $115. 9. Gave Silas Royal our note to apply on account $125. What is the amount of outstanding paper?

Example V

July 1, 19—. Accepted Earl Robinson's draft at 10 days' sight $423. 2. Bought merchandise of Carlton and Company $798.43, giving in payment cash $400 and our note to balance.

3. Exchanged notes with Matthew Richardson at his request $625. (Post only the note we give.) 5. Issued our note to Parmenter and Company to close our account $56.25. 5. Paid our note to Carlton and Company $398.43. 6. Bought merchandise of Samuel Canfield, giving our note to apply on account $286.45. 7. Exchanged notes with Robert Ferguson for our mutual accommodation $1400. 8. Bought merchandise of James Noble, giving in part payment our note for $367. 9. Issued our note to William Galupo to close account $114.63. 10. Gave our note for $200 to Nelson Carter to apply on account. What is the amount of outstanding paper?

Example VI

August 1, 19—. We have outstanding notes as follows: Herbert Johnson $760, William Semple $573, Charles Lefavor $111, Cline and Jones $78.54, I. N. Garman $861. 2. Accepted C. S. Woodward's draft favor B. J. Uhl $483. 3. Bought merchandise of Charles Langford on our thirty-day note $256. 4. Redeemed our note to Herbert Johnson $760. 5. Gave our note to H. V. Littell to apply on account $397. 6. Bought a piece of land in Beverly, Mass., giving in part payment our note for $1250. 7. Gave Harold Bird our sixty-day note to apply on account $218.76. 8. Paid our note to H. V. Littell $397. 9. Bought merchandise of Earl Collins for $787, giving our note in payment. 10. Borrowed $225 of Henry Jones, giving our note at 30 days for the same. What is the amount of our outstanding paper?

Example VII

September 1, 19—. Bills payable outstanding: Clement Moore $403, David Arata $304, Joseph O'Connor $167. 2. Gave our note to Thompson and Brown $647.23. 3. Accepted A. C. Mitchell's draft at two days' sight favor of Markham and Company $645. 4. Paid our note in favor of David Arata $304. 5. Paid our acceptance in favor of Markham and Company $645. 6. Paid our note to Clement Moore $403. 7. Gave our ten-day note to William H. Meredith $67.25. 8. Bought merchandise of Scott and Denney, giving our note in payment $410.18. 9. Paid $100 cash on our note of the 2d instant to Thompson and Brown. 10. Issued the following notes to apply on account,

Charles Ward $216.87, Joseph Kenyon $126.78, and Charles T. Rice $217.54. What is the amount of notes outstanding?

Example VIII

October 1, 19—. We issued the following notes: James Loring $325, S. W. Cushing $275, Albert Barrett $475. 2. Gave Allen and Hunt our note to apply on account $860. 3. Gave Russell Ireland our note to apply on account $750. 5. Borrowed of Clarence Owens $875 and gave him our ninety-day note for the same. 6. We gave Andrew Johnson our note to settle our account $715.45. 7. Bought merchandise of Frank Mudge and gave him our note in payment of the same $400. 8. Gave our note to the Commercial Bank for loan $3500. 9. Paid our note to Russell Ireland $750. 10. Paid Clarence Owens $125 on account of our note of the 5th to him. What is the amount of our outstanding paper?

Example IX

November 1, 19—. We bought of Oliver Martin on our sixty-day note 140 bu. of corn @ 49¢, 112 bu. of wheat @ 85¢. 2. Bought of Frank Harder on our note merchandise to the value of $146.25. 3. We issued our note to Nathan Clark to apply on account $649.73. 4. Paid Frank Harder on our note of the 2d $46.25. 5. Charles Buhre requested us to accept a draft in his favor to apply on account for $214, which we did. 6. Gave our note to Hamilton and Crane to apply on account $475. 7. Issued a thirty-day note to Robert Fairchild to apply on account $223. 8. Paid balance of our note to Frank Harder $100. What is the amount of our outstanding paper?

Example X

December 1, 19—. We accepted the following drafts drawn on us by the following persons: Charles Camp $125, William Laird $243, Charles Burnham $167. 2. Gave our note to Ezra Knight to apply on account $416. 3. Gave our note to John Brockaway to apply on account $614. 4. Gave our note to Samuel Hopkins to apply on account $218.24. 5. Paid our acceptance of Charles Camp's draft $125. 6. Paid our acceptance of William Laird's draft $243. 7. Abel Smith loaned us $645

for which amount we gave him our ninety-day note. 8. Bought of Charles Collins merchandise to the value of $118 for which we gave him our note. 9. Purchased a horse of William Doughty and gave him a note for $150 in part payment of the same. 10. Paid our acceptance of Charles Burnham's draft $167. What is the amount of outstanding paper?

VI

PERSONAL ACCOUNTS

Personal Accounts are accounts with individual persons or firms. The object of Personal Accounts is to show our dealings with persons or firms; what we have given to them or received from them, and what they owe us, or we owe them. The same rule for debits and credits that we applied to Property Accounts can be applied to all other accounts. The rule is thus stated: Whenever we give value to an account, we debit the account to which the value is given; whenever we receive value from an account, we credit the account from which the value is received.

The difference between the debit and credit sides of a personal account shows what the account owes us, or what we owe the account. If the debit side is larger, the account owes us and if the credit side is larger, we owe the account. If both sides of the account are equal, the account is canceled.

Example I

September 1, 19—. John Owens buys merchandise of us on account to the amount of $645. 2. He gives us cash to apply on account $415. 3. He buys merchandise on account $175. 4. He gives us his note at 30 days for $100. 5. We buy merchandise of him on account $343. 6. We give him our note at two months for $450. 7. We lend him cash $600. 8. We buy merchandise of him on account $445. 9. We give him our note at 30 days for $200. What is the balance of the account? Does John Owens owe us or do we owe him, and how much?

The following is the account of John Owens as shown by the preceding example. Trace the various transactions through this account and perform all the rest of the examples in Personal Accounts in the same way.

John Owens owes us $767.

JOHN OWENS

19—						19—					
Sept.	1			$645		Sept.	2			$415	
	3			175			4			100	
	6			450			5			343	
	7			600			8			445	
	9			200			9	Balance*		767	
				$2070						$2070	

*To be written in red ink.

Example II

September 1, 19—. Sold merchandise to John S. Connor on account $412. 2. Received cash of him $125. 3. Bought merchandise of him on account $325. 4. Sold merchandise to him on account $244.26. 5. Bought merchandise of him on account $334.16. 6. Gave him our note at 30 days for $200. 7. Sold merchandise to him on account $156.25. 8. Paid him cash $325. 9. Returned damaged goods to him $25. 10. Sold merchandise to him $364.23. What is the balance of John S. Connor's account?

Example III

October 1, 19—. Sold merchandise to Robert Aspinwall on account $485. 2. He paid us cash to apply on account $265. 3. Sold merchandise to him $325. 4. Bought merchandise of him on account $125.43. 5. Gave him our note for $100 to apply on account. 6. Bought merchandise of him for cash $125. 7. Sold merchandise to him on 30 days' credit $387.78. 8. Received his note at 10 days in part payment $275. 9. Returned damaged goods to him $16.78. Show the balance of Robert Aspinwall's account.

Example IV

In this example, open three accounts, one with each person, leaving about six lines between each account.

November 1, 19—. We sell merchandise to James Gamble $125. 2. We buy merchandise of Almy, Bigelow and Washburn $527.50. 3. We buy merchandise of Webber and Company $146.25. 4. We sell merchandise to James Gamble $237.45. 5. We pay cash to Almy, Bigelow and Washburn $175. 6. We buy merchandise of Webber and Company $187.57. 7. James

Gamble pays us cash $125. 9. We return damaged goods to Webber and Company $27.50. 9. We buy merchandise of Almy, Bigelow and Washburn $114.50. 10. We sell merchandise to James Gamble on account $500. 11. We allow James Gamble 10 per cent discount on his last bill. 12. We give our note at 90 days to Almy, Bigelow and Washburn $114.50. 13. We give Webber and Company a draft on James Gamble for $306.32. (Debit Webber and Company and credit James Gamble.) Show the balance of each account.

Example V

November 1, 19—. Bought merchandise of Thomas J. Newlin on account $1500. 2. Sold merchandise to him on account $2400. 3. Gave him my note for $1250 to apply on account. 4. He paid us cash on account $250 and gave us his note for the balance of his account $1900. 5. Bought merchandise on account $1255. 6. Paid cash on account $300. 7. Returned damaged merchandise $100. 8. He returned to us damaged merchandise $76.54. 9. We bought merchandise of him on our note $1349. 10. He rendered us services for which we have credited him $25. What is the balance of Newlin's account?

Example VI

December 1, 19—. Garrett Miller buys merchandise of us to the amount of $963.22. 2. He gives us cash to apply on account $500. 3. He buys merchandise of us on his note $249. 4. We buy merchandise of him on account $364. 5. We give him our note for $247 and cash $117. 6. He rendered us personal services to the amount of $25. 7. We buy merchandise of him on account for $168.73. 8. We sell him merchandise on account $472.18. 9. We paid him cash on account $125. 10. We received his note for $400 to apply on account. What is the balance of the account?

Example VII

Open an account with each person named in this example.

January 1, 19—. Sold merchandise to Carroll Stanford on account $480. 2. Sold merchandise to Robert Livingstone on account $275. 3. Bought merchandise of Richard Brewster.

on account $1100. 5. Carroll Stanford paid us cash on account $200. 7. Sold merchandise to Mark Smith on account $870. 8. Received cash of Robert Livingstone on account $125. 9. Paid Richard Brewster cash on account $750. 12. Sold merchandise to Carroll Stanford on account $525. 14. Received cash from Mark Smith to balance his account $870. 15. Paid Richard Brewster cash on account $300. Find the balances of the above accounts.

Example VIII

Open accounts with John Kirk, Allison Lounsbury, Frederick Peterson, Samuel Fallows, and John Perrett.

February 1, 19—. Bought merchandise of John Kirk on account $1300. 2. Sold to Allison Lounsbury merchandise for $875. 3. Frederick Peterson has rendered us services for which we have credited him $18.65. 4. Sold merchandise to Samuel Fallows on account $945. 5. John Perrett has borrowed from us $225. 6. Paid cash to John Kirk to apply on account $1000. 8. Paid Frederick Peterson cash on account $15.80. 9. Allison Lounsbury paid us cash on account $345. 10. John Perrett paid us the amount he borrowed on the 5th ($225). 12. Sold merchandise to Allison Lounsbury on account $574. 14. Bought merchandise of John Kirk on account $785. 15. Sold merchandise to Samuel Fallows on account $314. 16. Samuel Fallows gave us his check for $12.59. Balance the accounts.

Example IX

March 1, 19—. You, as proprietor, begin business this day with cash on hand $4500, merchandise $1500, and fixtures $478. 2. You owe Dudley Palmer on account $87.63 which is to be paid from the business. 3. You invested a thirty-day note in favor of William Lincoln for $287. 4. You invest more merchandise $1250. 5. You invest more cash $226. 6. You withdraw from the business cash for private use $325. 7. You take from the business for private use merchandise valued at $167.34. 8. On closing your books you find that you have a net gain of $653.14. Find the balance or present worth of the above account.

Example X

October 1, 19—. Henry W. Brown invests in business, real estate valued at $2150. He owes Cyrus Leland on account

$74.62 which is to be paid from the business. 3. He invests a note payable to John D. Symonds for $275. 6. He invests merchandise valued at $3162.50. 9. He invests cash $1204.75. 17. He invests real estate valued at $475. 23. He withdraws from the business cash $367.40. 27. He withdraws real estate valued at $634. 31. On closing the books, he finds that the net gain has been $69.17. Find the balance or net capital of the above account.

VII

EXPLANATION OR ACCOMMODATION ACCOUNTS

Explanation or Accommodation Accounts are accounts with certain charges, deductions, etc., such as interest, discount, expense, and the like.

Interest is the amount of money charged for the use of money. Interest must be paid on any note or other contract that contains a definite promise to pay it and it may be charged after maturity on any note or other debt not paid at maturity. A note containing a promise to pay interest will bear interest from its date to the date of maturity, at the rate per cent specified in the note. If the rate per cent is not designated in the note, the legal rate per cent of interest of the state in which the note is payable may be charged. Interest may be charged after maturity on goods bought on a credit of a certain time and not paid for within that time.

Discount is an allowance made upon an account or an allowance made for the payment of money before it it due. It is usually equal to the interest on the principal for the unexpired time.

A person cannot be compelled to pay a debt before it is due but if he does so, he is entitled to a compensation for the use of the money for the unexpired time. This compensation is called discount. Discount is really a form of interest, being money paid or allowed for the use of money and so, since interest and discount are so much alike, we shall here consider them as one account called **Interest** and **Discount** although some bookkeepers prefer to keep separate accounts with each of them.

INTEREST AND DISCOUNT ACCOUNT

The object of the **Interest and Discount Account** is to show the gain from lending or the loss from borrowing money at interest. The account is debited when either interest or discount is paid

or allowed to others and credited when either interest or discount is paid or allowed to the business. The difference between the sides of the account shows the loss or gain.

In opening this account, any items of interest that are due but have not been paid should be placed on the debit side of the interest account.

In closing the interest account, items of accrued interest that have not been paid should be placed on the credit side of the interest account before finding the loss or gain.

Example I

January 1, 19—. Received interest on Charles Elliott's note $19.55. 2. Paid interest on our note to Abel Green $13.50. 3. We paid interest on mortgage to Charles Black $250. 4. Caleb Rogers returns loan, interest on the same being $25. 5. We had our note discounted at City National Bank, discount $4.85. 6. Received interest on city of Salem bonds $175. What is the gain or loss?

The following form illustrates the Interest and Discount Account, the data for which are taken from the above example:

INTEREST AND DISCOUNT

19—					19—				
Jan.	2		$ 13	50	Jan.	1		$ 19	55
	3		250			4		25	
	5		4	85		6		175	
						6	Loss*	48	80
			$268	35				$268	35

*To be written in red ink.

Example II

February 1, 19—. Received interest on Amos Reading's note $8.45. 2. Paid interest on our note to Frank Daniels $12.50. 3. Received interest on loan to Albert Spencer $13.75. 4. We had our note discounted at Suffolk National Bank, discount $4.83. 5. Received interest on Black and Company's note $29. 6. Paid interest on Dolan and Company's note $18.50. 6. Received interest on mortgage from James Scull $125. 7. Paid interest on mortgage to William Nelson $134. 8. We had

Percy Ogden's note discounted at City Bank, discount being $8.25. 9. Received interest on loan to Charles Milligan $7.65. 10. Received interest on Kirby and Company's note $35. What is the gain or loss?

Example III

March 1, 19—. We have on hand the following notes upon which interest has accrued but has not been paid: I. N. Garman's for $1800, interest $9; Arthur H. Slater's for $1400, interest $28.70. (Debit interest for the interest; pay no attention to the face of the notes.) 2. We received cash for our note of $4000 due in two months, less discount $20. (Debit the account for the discount paid.) 3. We buy Charles Buhre's note for $1650, at a discount of $50. 4. Coffin and Clark pay their note for $680 and interest $70. 5. We had George Morris's note for $1000 discounted at City Bank, discount $15.50. 6. Received interest on Government bonds $485. 7. We paid interest on mortgage to Clarence Humphreys $125. 8. We paid the interest on our note to Albert F. Doak $15. 9. We have on hand at closing the following notes: I. N. Garman's for $1800, accumulated interest being $11. 10. Arthur H. Slater's for $1400, accumulated interest $30.80. (Credit the interest account with accumulated interest before finding loss and gain.) What is the gain or loss?

Example IV

April 1, 19—. We have on hand the following notes upon which interest has accrued but has not been paid: Clement Adams's for $900, interest $4.50, Carlton Godfrey's for $2000, interest $20, Silas R. Morse's $1200, interest $6. 2. Paid our note of $800 to the Second National Bank, Atlantic City, N. J., with accumulated interest $8.75. 3. W. R. Littell paid his note for $350 with interest $7.35. 4. Bought B. F. Dodd's note for $250 at a discount of $25. 5. Received cash from Clement Adams for his note of $900, with interest $5.25. 6. Received interest on deposit at the Guarantee Trust Company, Atlantic City, N. J., $35. 7. B. F. Dodd pays his note for $250 with accumulated interest $4. 8. Had Irving Thomas's note for $1700 discounted at Merchants' National Bank, discount being $35.70. 9. Paid semi-annual interest on mortgage $35. 10. Paid interest on our note to H. C. Dodd,

$8.45. 11. Charles Billington pays his note of $1500 with accrued interest $15. 12. Lorenzo Z. Lyons returns loan, interest on same being $6.25. 13. We have on hand at closing the following notes: Carlton Godfrey's for $2000, accumulated interest being $24.04; Silas R. Morse's for $1200, accumulated interest $8.60. What is the loss or gain?

Example V

May 1, 19—. We have on hand the notes and accumulated interest given at the close of the last example. We received interest on loan $45. 2. Paid interest on mortgage $125. 3. Discounted note at Citizens' Bank, face $2400, discount $27. 4. Paid interest on our note to Commercial Bank $18.76. 5. Received interest on deposit in the Marine Trust Company $24.76. 6. Received for interest on Government bonds $333.33. 7. James Parsons returned loan, interest on the same being $6.75. 8. We have on hand at closing the following notes: Carlton Godfrey's for $2000, accumulated interest being $26.71; Silas R. Morse's for $1200, accumulated interest being $10.20. What is the gain or loss?

Example VI

June 1, 19—. Received cash of Jacob Strauss for his note and interest thereon to date, face of note $1000, interest $10. 2. Paid Frank Smith cash for my acceptance $600; interest on the same $12.06. 3. The note given by us, May 3, in favor of Fred Strong, is now due; face of the note $625, interest $3.13. 4. Paid our note in favor of Bertram French for $750, interest on same $15. 5. Paid cash for our acceptance with interest, face of acceptance $850, interest $34. 6. Received cash for interest on Fred Fairbanks note $8.75. 7. Paid interest on mortgage $212.25. 8. Discounted our note for $5000 at Citizens' Bank, discount $125. What is the gain or loss?

Example VII

July 1, 19—. We have on hand the following notes upon which interest has accrued but has not been paid: Fred C. Meredith's for $2500, interest $27.50; John F. Synder's for $1750, interest $19.25. 2. Weston and Company pay their note for $870, interest $17.40. 3. Discounted our note of $3500, discount

$38.50. 4. Received for interest on Government bonds $415. 5. Had James Prouty's note for $4500 discounted at Merchants' Bank, discount $51.75. 6. Received interest on John Mason's note $7.75. 7. Received interest on loan to George Doughty $18. 8. Had Clark Stewart's note discounted at Merchants Bank, discount $10.12. 9. We have on hand at closing the following notes: Fred C. Meredith's for $2500, accumulated interest $31.25; John F. Snyder's for $1750, accumulated interest being $21.88. What is the gain or loss?

Example VIII

August 1, 19—. The following notes are in our possession, upon which interest has accrued but has not been paid: B. B. Weatherby's for $800, interest $4. Robert Andrew's $1600, interest $32; Thomas Weatherby's $1000, interest $25. 2. We paid our note to Jordan and Company, $850, with interest $4.25. 3. Oliver C. Flanders paid his note for $523 with interest $10.46. 4. We had Barrett and Company's note discounted at City Bank, discount $8.75. 5. Paid quarterly interest on mortgage $18.65. 6. Bought Ela and Puffer's note for $275 at a discount of $27.50. 7. We paid interest on mortgage $135. 8. We received interest on deposit in Columbia Trust Company $29.15. 9. We have on hand at closing the following notes: B. B. Weatherby's for $800, accumulated interest being $5.20; Robert Andrew's $1600, accumulated interest being $34.40; Thomas Weatherby's $1000, accumulated interest $26.50. What is the gain or loss?

Example IX

September 1, 19—. We have on hand the notes with accumulated interest as given at the close of example No. 8. 2. We received interest from a loan $25. 3. We paid interest on our note to Fred Meyers, face of note $425, interest $21.50. 4. B. B. Weatherby paid his note for $800 with accumulated interest to date $5.73. 5. Robert Andrews paid accumulated interest to date on his note $35.47. 6. We discounted Thomas Weatherby's note at City Bank, discount $20.54. 7. Received interest on loan $47.50. 8. Received interest on ledger account $8.67. 9. Paid interest on Kirkpatrick and Dillon's note $29.74. 10. Received interest on deposit $2.85. What is the gain or loss?

Example X

October 1, 19—. We have on hand the following notes upon which interest has accrued but has not been paid: Benjamin Collins for $700, interest $3.50; Fred B. Meyer's $1300, interest $6.50; Henry Endicott $763, interest $7.63. 2. Paid our note of $875 to Jameson and Company, with accumulated interest $4.38. 3. Chauncey Williams paid his note for $435 with interest $4.78. 4. Received cash from Ireland Doughty's note for $185 with interest $20.35. 5. Received interest on mortgage $234. 6. Received interest on deposit at Columbia Trust Company $47.23. 7. We had Pierson and Ball's note for $1900 discounted at Columbia Trust Company, discount being $38. 8. Benjamin Collins paid his note with interest to date which interest amounted to $4.43. 9. Fred Small returns loan, interest on the same being $6.39. 10. Fred B. Meyers paid the interest due in his note, $8.45 and the note itself. 11. We received interest on mortgage $216.44. 12. Discounted our note of $2000 at the Columbia Trust Company, discount being $18.33. 13. We have on hand at closing, Henry Endicott's note for $763, accumulated interest being $9.15. What is the gain of loss?

EXPENSE ACCOUNT

Expense is any incidental outlay of money necessary to the carrying on of the business, such as postage, stationery, advertising, clerk hire, rent, etc.

The **Expense Account** is an account of expenses incurred in carrying on the business and the object of the Expense Account is to show the running expenses of the business. Some bookkeepers keep separate accounts for each item of expense, such as rent, services, advertising, furniture, etc., while others keep all the items under the general account of Expense. It matters not whether separate accounts are kept as regards the methods of posting.

The Expense Account, as a general account, or the separate accounts should be debited for all outlay and credited for all returns. If we sell or otherwise dispose of anything that was previously debited to this account, the amount received for the article or its value, if otherwise disposed of, should be placed on the credit side. The loss is the difference between the debit and

credit sides of the account, the debit side being the larger. The inventory of the articles on hand at closing should be credited to the Expense Account.

Example I

November 1, 19—. Paid cash for fitting up store $640. 2. Paid for books and stationery for office use $18.75. 3. Paid for desk $35. 4. Paid for typewriter $100. 5. Paid for advertising in the *News* $78.50. 6. Paid for printing $275. 7. Paid gas bill $20. 8. Paid bookkeeper $20. 9. Paid janitor $8. 10. Paid clerks $50. 11. Desk and fixtures valued at $500. (Inventory.) What is the loss?

The following illustrates the Expense Account, the data for which are taken from the preceding example. Trace each item of Example No. 1 through this account.

EXPENSE

19—							19—					
Nov.	1			$640			Nov.	11	Inventory	*	$500	
	2			18	75			11	Loss*		745	25
	3			35								
	4			100								
	5			78	50							
	6			275								
	7			20								
	8			20								
	9			8								
	10			50								
				$1245	25						$1245	25
19—												
Nov	11	Inventory		$500								

*To be written in red ink.

Example II

December 1, 19—. Paid for advertising in the Boston *Globe* $75. 2. Paid rent $150. 3. Paid coal bill $76.45. 4. Paid gas bill $23. 5. Paid for desk, chairs, etc., $125. 6. Paid salaries $125. 7. Paid for repairs $67.78. 8. Paid for cleaning windows $10. 9. Paid for typewriter $100. 10. Paid for printing $78.25. 11. Furniture and fixtures valued at $175. What is the loss?

Example III

January 1, 19—. Paid for office stationery $67.50. 2. Paid rent of store $275. 3. Paid insurance premium $50. 4. Paid bookkeeper $25. 5. Paid for advertising $32. 6. Paid for three horses to be used in the business $375. 7. Paid for wagons and harnesses $275. 9. Paid for printing $24.75. 9. Paid gas bill $22. 10. Paid for adding machine $250. 11. Paid clerk hire $50. 12. Paid janitor $8. 12. Office furniture, wagons, etc., valued at $450. What is the loss?

Example IV

February 1, 19—. Paid rent $250. 2. Paid for desk $115. 3. Paid for typewriter and stand $125. 4. Paid for office chairs $28. 5. Paid for wagon $175. 6. Paid for horse $125. 7. Paid for horse's feed $12. 8. Paid gas bill $12. 9. Paid ice bill $10. 11. Paid printer's bill $18. 12. Value of furniture, wagons, etc., $410. What is the loss?

Example V

March 1, 19—. Paid for books and stationery $23.50. 2. Paid for stamps and stamped envelopes $50. 3. Paid rent of office $28. 4. Paid for desk and chairs $65. 5. Paid for advertising $67.25. 6. Paid insurance premium $45. 7. Paid for cleaning office $8. 8. Paid office boy $5. 9. Paid for light $12.50. 10. Value of furniture and unused supplies $100. What is the loss?

Example VI

In this example open accounts with advertising, furniture, printing, service, rent, and expense.

April 1, 19—. Paid for printing bill-heads, circulars, etc., $250. 2. Paid rent $250. 3. Paid for office furniture $725. 4. Paid for typewriter $100. 5. Paid for multigraph $150. 6. Paid for advertising in the Boston *Journal* $35. 7. Paid clerk hire $75. 8. Paid for books and stationery $38.76. 9. Paid gas bill to date $28. 10. Paid bookkeeper $25. 11. Paid for ice $8. 12. Paid janitor $10. 13. Paid insurance premium $35. 14. Paid for advertising in the Salem *Evening News* $24. 15. Paid office boy $5. 16. Office furniture valued at $200. 17. Unused stationery and bill-heads valued at $250. What is the loss?

Example VII

Open accounts with expense, advertising, rent, printing, furniture, and service.

May 1, 19—. Paid rent $175. 2. Paid for printing $275. 3. Paid for office furniture $475. 4. Paid for advertising in the *Press* $28. 5. Paid for letter-press $10. 6. Paid for repairing store $375. 7. Paid for advertising in the Boston *Herald* $30. 8. Paid electric light bill to date $32. 9. Paid janitor $10. 10. Paid office boy $6. 11. Paid ice bill $3. 12. Paid for stationery etc. $57.75. 13. Paid bookkeeper $25. 14. Paid for cleaning store $15. 15. Paid for feed for horses $12. 16. Paid for painting wagon $10. 17. Office furniture valued at 10 per cent less than cost. 18. Value of unsold stationery $25. Find the loss on each account.

Example VIII

June 1, 19—. Paid rent $165. 2. Paid clerk $18. 3. Paid bookkeeper $20. 4. Paid for printing $28.50. 5. Paid for furniture and fixtures $485.50. 6. Paid water tax $10. 7. Paid insurance premium $50. 8. Paid for advertising $38.50. 9. Paid for janitor $8. 10. Paid for books and stationery for office use $75. 11. Inventory of office furniture $450. 12. Inventory of books and stationery $65. What is the loss?

Example IX

Open accounts with service and expense.

July 1, 19—. Paid clerk's hire $45. 2. Paid travelling salesman $200. 3. Paid bookkeeper $25. 5. Paid rent $100. 5. Paid for furniture $278. 6. Paid for advertising $125. 7. Paid for stationery, etc. $84.77. 8. Paid ice bill $5. 9. Paid gas bill $8.50. 10. Paid insurance premium $25. 11. Value of furniture, etc. $265. What is the loss?

Example X

Open accounts with advertising, furniture, rent, service, printing, and expense. Leave eight lines between each account.

August 1, 19—. Paid rent $275.25. 2. Paid for office furniture $500. 3. Paid for printing circulars, bill-heads, etc. $210. 4. Paid for advertising in the Philadelphia *Ledger* $56. 5. Paid for mimeograph $10. 6. Paid for remodeling store $380.

7. Paid bookkeeper $24. 8. Paid electric light bill $33. 9. Paid for advertising in the Philadelphia *Press* $50. 10. Paid for office desk $125. 11. Paid for signs outside of building $275. 12. Returned office desk, it being unsatisfactory, $125. 13. Paid office boy $6. 14. Paid janitor $14. 14. Paid for printing $50. 15. Paid clerk $28. 16. Paid insurance premium $50. 17. Paid rent $275.25. 18. Paid clerk $18. 19. Paid for pencils, pens, etc. $8. 20. Paid for advertising in Philadelphia *Record* $55. 21. Paid for office desk $115. 22. Paid for cleaning $14.25. 23. Office furniture valued at $485. What is the loss?

VIII

DOUBLE ENTRY BOOKKEEPING

As already defined, Double Entry Bookkeeping is that method of recording business transactions which requires equal debits and equal credits in the ledger.

In double entry a record is kept of all financial changes,—not only of those producing personal debits and credits but also of exchange of equal values; of transfers of property from one department of the business to another; of personal services; of incidental expenses; of various charges, deductions, allowances, etc.

In double entry, accounts are kept, not only with persons, but with various kinds of property, and with certain specialties which may become sources of profits and losses.

The number of *possible* accounts is unlimited. There may be more or less, according to the nature of the business, and the kind of information desired in regard to it.

A few of the more important accounts employed in double entry are defined below. Their number might be indefinitely increased. Others will be explained as needed.

The **Proprietor's Account** is an account with the proprietor, of his investment in the business.

The **Partner's Account** is an account with a partner, and is similar to the proprietor's account.

The **Personal Account** is an account with persons (including legal corporations), of receipts from them and payments to them.

The **Bills-Receivable Account** is an account of written promises for the payment of money, on time or demand, payable by other parties *into* the business.

The **Bills-Payable Account** is an account of written promises for the payment of money, on time or demand, payable *from* the business.

The **Cash Account** is an account of cash on hand, received and paid.

The **Merchandise Account** is an account of goods on hand, bought and sold for profit.

The **Real Estate Account** is an account with such immovable property as land, houses, stores, shops, mills, etc.

The **Interest Account** is an account of interest receivable and payable, and interest received and paid.

The **Discount Account** is an account of certain deductions made in favor of other parties, or made by other parties in favor of the business.

The **Expense Account** is an account of expenses incurred in carrying on the business.

The **Loss and Gain Account** is an account of the losses and gains of the business.

DEBITS AND CREDITS

The terms debits and credits have already been explained but in double entry they have a more extended application and it is absolutely essential that the learner should thoroughly understand the principles by which the debits and credits of all business transactions may be determined, before any real progress can be made.

From the very nature of the case, the number of business transactions, and consequently the number of accounts, must be unlimited. But, as has already been stated, they may all be reduced to three general classses, — personal accounts, property accounts, and accommodation accounts.

The debits and credits of these may always be determined by the application of three simple principles.

I. *First General Principle as Applied to Personal Accounts: Debit the Receiver; Credit the Giver.*

This may be stated more clearly thus:

Whoever receives value, and does not give value in return, should be debited. Whoever gives value, and does not receive value in return, should be credited.

Possibly this may be more easily understood if stated in this way:

Debit persons for what you *sell* them on account, for what

you *pay* them on account, and for what you pay *for* them on account.

Credit persons for what they *sell* you on account, for what they *pay* you on account, and for what they pay *for* you on account. It will be perceived that these are simply different statements of the same general principle:

The Receiver, Debit; the Giver, Credit.

II. *Second General Principle as Applied to Property Accounts. Debit what comes into the Business; Credit what goes out from it.*

This may be stated a little less concisely, thus:

Property accounts should be *debited* for whatever value *comes into* the business, and *credited* for whatever value *goes out of* the business.

This principle is sometimes condensed thus:

In, Debit; out, Credit.

III. *Third General Principle as Applied to Accommodation Accounts*:

Debit Losses; Credit Gains.

This may also be stated thus:

Under appropriate titles for accommodation accounts, debit all charges, deductions, allowances, discounts, commissions, rents, salaries, expenses, etc., *allowed, credited,* or *paid* to *other* parties, *from* the business.

Credit all similar items *allowed, debited,* or *paid by* other parties, *to* the business.

These three general principles are sufficient for determining the debits and credits of all kinds of business transactions, however complex or complicated.

From the nature of these three principles, it will be perceived that whenever there is a *debit,* there must be an equal *credit;* and whenever there is a *credit,* there must be an equal *debit.*

Hence, whatever the number of transactions, and however complicated the business, the *sum of the debits* must always equal the *sum of the credits.*

This is the distinguishing feature of double entry bookkeeping.

A general rule that will apply to all transactions is: Debit the account that receives value and credit the account that supplies value.

To illustrate the above rules let us take a few concrete examples. For example, if we buy merchandise for cash we debit the Merchandise Account because the Merchandise Account receives value and we credit the Cash Account because that account supplies the value. If we buy merchandise of John Marmaduke on account (or on credit), we debit the Merchandise Account because that account receives the value and we credit John Marmaduke's account because that account supplies the value. If we pay Marmaduke in cash, we debit Marmaduke's account and credit the Cash Account for the same reason as in the above transactions. If we buy merchandise of John Marmaduke and give our note in payment, we debit the Merchandise Account and credit the Bills Payable Account. If we pay our note in cash, we debit the Bills Payable Account and credit the Cash Account. If we sell merchandise to John Marmaduke on account, we debit John Marmaduke's account and credit the Merchandise Account. If we sell merchandise for cash, we debit the Cash Account and credit the Merchandise Account. If we sell merchandise for notes, we debit the Bills Receivable Account and credit the Merchandise Account. If we receive cash on another's note, we debit the Cash Account and credit the Bills Receivable Account. If John Marmaduke pays us cash on account, we debit the Cash Account and credit John Marmaduke's account. If we receive cash on John Marmaduke's note, we debit the Cash Account and credit the Bills Receivable Account.

Often a transaction will involve more than two accounts. If we buy merchandise and pay for it partly in cash and partly by a note, we debit the Merchandise Account for the cost of the full amount bought and credit the Cash Account for the amount of cash paid and also credit the Bills Payable Account for the amount of the note.

We may then have in a transaction one debit and one credit; one debit and two or more credits; one credit and two or more debits; or two or more debits and two or more credits. If such be the case, the sum of all the debits in a transaction must be equal to the sum of all the credits.

Example I

Open accounts as follows, leaving the number of lines stated for each account: G. A. Ames, 5 lines; merchandise, 10 lines; cash, 10 lines; expense, 6 lines; loss and gain, 6 lines.

Appleton, Maine, January 1, 19—. G. A. Ames commences business this day and invests cash $4500. (This sum is Ames's net capital at starting the business and as his account supplies value to the amount of $4500 it should be credited; and as the Cash Account receives that value it should be debited.) 2. Bought merchandise for cash $1400 (debit merchandise and credit cash). 3. Sold merchandise for cash $765 (debit cash and credit merchandise). 4. Paid printer's bill in cash $250 (debit expense and credit cash). 5. Paid advertising bill in cash $112 (debit expense and credit cash). 6. Bought merchandise for cash $1800. 7. Sold merchandise for cash $750. 8. Sold merchandise for cash $925. 9. Sold merchandise for cash $150. 10. Paid rent of store in cash $100 (debit expense and credit cash). 11. Paid personal expenses in cash $65 (debit Ames and credit cash. Personal expenses are not charged to the expense account but to the account of the person for whom they are paid). 12. Bought merchandise for cash $485. 13. Sold merchandise for cash $625. 14. Sold merchandise for cash $600.

Close the accounts and show Ames's net capital and net loss or gain at closing.

In closing an example in double entry or in closing a set of double entry books, the first step is to make a list of the resources and liabilities as they exist at the time of closing, the difference between these being the net capital. Then the net gain or the net loss should be found and the books or accounts closed by posting these items to their proper accounts.

In the above example we have but one resource, viz., cash, and no debts, so that the net capital is the balance of the Cash Account. Debit G. A. Ames's account with his net capital, $4103, and credit cash with the same amount.

The debit side of the Loss and Gain Account should show the losses and the credit side the gains. To find the net loss, credit the Loss and Gain Account with the gain on merchandise, $130, and debit the Merchandise Account for the same amount in red ink. Then debit the Loss and Gain Account with the loss on

expense, $462, and credit the Expense Account with the same amount in red ink. The difference between the two sides of the Loss and Gain Account should show a net loss of $332. This sum, debited to Ames's account in black ink and credited to the Loss and Gain Account in red ink, should close every account in the ledger. Rule and foot the ledger.

Example II

Open accounts as follows: W. M. Brown, 7 lines; merchandise, 9 lines; cash, 13 lines; bills receivable, 6 lines; bills payable, 3 lines; C. R. Bartlett, 8 lines; Hamlin Burkett, 3 lines; expense, 8 lines; loss and gain, 6 lines.

Springfield, Mass., February 1, 19—. W. M. Brown commenced business this day investing cash $5000 and merchandise $6000. (These two items represent Brown's net capital and should be credited in one amount, $11,000, to his account and debited to their respective accounts.) 2. Sold merchandise for cash $1500. 3. Sold merchandise to C. R. Bartlett on account $1200 (debit Bartlett and credit merchandise). 4. Bought merchandise of Hamlin Burkett on account $1480 (debit merchandise and credit Burkett). 5. C. P. Bartlett gives us his thirty-day note to apply on account $700 (debit bills receivable and credit Bartlett). 6. Paid cash for insurance on store $175. 7. Bought merchandise of W. B. Arrington for cash $2750 (debit merchandise and credit cash). 8. Paid cash to bookkeeper $100. 9. Sold merchandise to A. F. Boggs on his note at 60 days $3500 (debit bills receivable and credit merchandise). 10. Bought merchandise of John Conant on our note at three months $2600 (debit merchandise and credit bills payable). 11. Sold merchandise to C. R. Bartlett on account $3200. 12. Gave Hamlin Burkett a draft at 30 days on C. R. Bartlett to close his, Burkett's account, $1480 (debit Burkett and credit C. R. Bartlett). 13. Received cash on C. R. Bartlett's note $700 (debit cash and credit bills receivable). 14. W. M. Brown withdraws cash for private use $300. 15. C. R. Bartlett paid us cash to balance account $2220. 16. A. F. Boggs paid his note in cash $3500. 17. Paid our note to John Conant in cash $2600 (debit bills payable and credit cash). 18. Paid cash for advertising $650. 19. Paid rent of store in cash $150.

20. Paid a personal bill for W. M. Brown in cash $245. 21. Value of unsold merchandise $5500.

Close the accounts and show Brown's net gain and net capital at closing. To close the accounts: First, make a list of the resources which, as there are no debts, will show the net capital. Second, debit W. M. Brown's account with the net capital and credit each resource to its respective account. Third, debit loss and gain for the losses, and credit it for the gains. Fourth, credit the net gain to Brown's account and debit it to loss and gain. All the accounts will now be closed if the work is correctly done. Rule and foot the Ledger Accounts.

Example III

Open accounts as follows: C. F. Berry, 6 lines; merchandise, 13 lines; cash, 10 lines; bills receivable, 6 lines; bills payable, 6 lines; George Fowles, 6 lines; George T. Fogg, 4 lines.

Portland, Maine, March 1, 19—. C. F. Berry commences business this day with an inventory of lumber valued at $4000. 2. Sold William Caswell for cash, 14 M. hemlock boards, @ $12, $168. 3. Bought of A. R. Edgecomb, for cash, 10 M. XX shingles, @ $4, $40. 5. Sold A. E. Fish, on his note at 10 days, 18 M. 2 × 4 scantling, @ $12, $216. 7. Bought of J. E. Fuller, on our note at 20 days, 40 M. No. 2 fencing, @ $11, $440. 10. Sold George Fowles, on account, 10 M. laths, @ $3, $30. 12. Bought of George T. Fogg, on account, 50 M. No. 2 dressed flooring, @ $25, $1250. 15. Paid cash for work in lumber-yard $14. Sold A. W. Bean, for cash, 20 M. shingles, @ $3; 10 M. XX shingles, @ $4; total $100. 17. A. E. Fish has this day paid his note of March 5, in cash, $216. Sold George Fowles, on account, 4 M. flooring, @ $25, $100. 22. Sold A. F. Boynton, for cash, 18 M. clear-pine boards, @ $40, $720. 23. George Fowles has paid us cash on account $50. 27. Sold Eugene Butler on his note at 60 days, 14 M. spruce lumber, @ $15, $210. 29. Bought of A. W. Bean on our note at 30 days, 10 M. clapboards, @ $50, $500. 30. Paid cash to J. E. Fuller for our note of the 7th instant, due this day, $440. 31. Sold for cash to W. S. Harriman, 4 M. pine boards, @ $20, $80. Merchandise inventory $4700.

Close the accounts and show C. F. Berry's net capital at closing.

Example IV

Open the following accounts: L. C. Johnson, 4 lines; cash, 13 lines; merchandise, 12 lines; bills receivable, 9 lines; V. O. Keller, 4 lines; L. R. Keene, 8 lines; A. R. Davis, 7 lines; expense, 10 lines; loss and gain, 8 lines.

Boston, Mass., April 1, 19—. L. C. Johnson commenced business with the following resources: cash, $2500; merchandise, $3200; bills receivable, $575; V. O. Keller, $700; E. R. Keene, $870. 2. Paid rent of store in cash $100. 3. Bought merchandise of E. A. Kimball for cash $275 (debit merchandise and credit cash). 4. Sold merchandise to Sion W. Luce for cash $245 (debit cash and credit merchandise). 5. Bought merchandise for cash $37.50. 6. Paid cash for advertising $10. 7. V. O. Keller gave us his sixty-day note in full of account $700. 8. Sold merchandise to E. R. Keene on account $163. 9. Sold merchandise for cash $819. 10. Received cash on James Lane's note $316 (debit cash and credit bills receivable). 11. E. R. Keene returned damaged merchandise sold to him on the 8th $63 (debit merchandise and credit E. R. Keene). 12. Paid cash for repairs $87.75. 13. Sold merchandise to L. J. Law on his sixty-day note $250. 14. Bought merchandise of A. R. Davis on account $800. 15. Sold merchandise to Henry Cummings and Son for cash $1275. 16. Paid salaries in cash $175. 17. Gave A. R. Davis, V. O. Keller's note on account $700 (debit A. R. Davis and credit bills receivable). 18. L. C. Johnson withdraws cash for private use $165. 19. Paid cash for insurance of merchandise in store $275. 20. Gave A. R. Davis a sight draft on E. R. Keene $100 (debit A. R. Davis and credit E. R. Keene). 21. Received cash on T. H. Day's note $114. 22. E. R. Keene, being insolvent, settles with his creditors on the basis of seventy-five cents on the dollar. Received his note at 2 months to settle account $652.50. (Balance Keene's account to find what he owes us, 75 per cent of which is debited to bills receivable and 25 per cent representing the loss on Keene's account is debited to loss and gain. Keene's account is credited separately with each amount.) 23. Received cash for L. J. Law's note $250. 24. Sold merchandise for cash $763. 25. Inventory of merchandise $3900. Close the accounts, as shown in the preceding examples, showing L. C. Johnson's net gain or net loss and net capital at closing.

Example V

Open accounts with student, 3 lines; merchandise, 25 lines; cash, 45 lines; Day, Lindsay and Hastings, 8 lines; Dean and McManus, 6 lines; bills payable, 4 lines; L. H. Farren, 4 lines; furniture and fixtures, 2 lines; expense, 16 lines; freight, 5 lines; salaries, 5 lines; discount, 4 lines; merchandise discount, 4 lines; bills receivable, 5 lines; M. E. Lynch, 3 lines; R. E. Mason, 3 lines; R. S. Stevens, 3 lines; J. M. Stearns, 3 lines; M. H. Reed, 2 lines.

This is the books and stationery business, so books and stationery are considered as merchandise throughout this example.

January 1, 19—. Student began business this day at 46 Elm Street, your city, with a cash capital of $5000. Bought furniture and store fittings for cash $600. Bought invoice of books from Day, Lindsay and Hastings, Boston, net 30, 3/10, amounting to $216.48. Bought invoice of books from Dean and McManus, Chicago, amounting to $525.15. Gave in payment your note at 60 days with interest at 6 per cent. Paid rent in advance $200. Paid for printing, etc. $24.90. Paid for insurance $45.

January 5. Bought invoice of stationery of J. E. White, City, for cash $214.92. Sold to R. E. Mason, City, net 60, 2/10, invoice of books $27.93. Sold to M. E. Lynch, Boston, on his note at 30 days, invoice of books $100.93. Paid freight $142.89. Paid for office supplies $93.18.

January 7. Sold R. S. Stevens, City, subject to sight draft, invoice of merchandise $93.19. Sold J. M. Stearns, New York, net 30, 2/10, invoice of books $129.18. Sold M. H. Reed, Chicago, on draft at 30 days' acceptance $423.19. Bought of L. H. Farren, Boston, invoice of stationery $623, terms 1/30, 2/10. Sold for cash to L. E. Smith, City, books $240.19. Paid clerks $65. Paid freight $5.94. Paid for lighting store $18.92.

January 10. Paid Day, Lindsay and Hastings invoice of January 1, less 3 per cent. Received cash from R. E. Mason for invoice January 5, less 2 per cent. Discounted M. E. Lynch's note of January 5, rate of discount 6 per cent. Bought of Day, Lindsay and Hastings, terms 1/30, 2/10, invoice of merchandise $426.38. Bought of J. E. White, for

cash, invoice of merchandise $44.48. Bought stationery of Dean and McManus, 2/10, net 30, $630.19. Sold invoice of books to M. E. Lynch, net 30, 1/10, $638.94. Paid cash for coal $10.93. Paid cash for supplies $4.30. Bought invoice of goods of L. H. Farren, 2/10, 1/30, $637.19.

January 15. Gave my note at 60 days for invoice of January 7th to L. H. Farren. Received cash for petty sales $200.14. Returned to Dean and McManus, from invoice of January 10, books to the value of $110.92. Bought of Day, Lindsay and Hastings, 2/10, 1/30, invoice of books $716.19. Sold on sixty-day acceptance to R. S. Stevens $216.97. 6. Received from R. S. Stevens cash for invoice of January 7th.

January 19. Bought of J. E. White, for cash, invoice of books $160.60. Sold for cash to L. E. Smith invoice of goods $630.79. Received of J. M. Stearns on account $100. Discounted Reed's acceptance of January 7th. Paid L. H. Farren on account $500. Received for petty sales cash $200.49. Paid clerks $67. Paid for lighting etc., $58.

January 21. Bought of Dean and McManus invoice of books $239.60 (terms 3/10, net 60). Paid Day, Lindsay and Hastings on account $300. Paid Dean and McManus on account $200. Paid note of January 15 to L. H. Farren, less discount for unexpired time. Paid cash for stamps $2. Paid cash for advertising $7.50. Paid by check Dean and McManus's invoice of January 10th less 2 per cent.

January 25. Bought of J. E. White for cash invoice of books $64.93. Sold to L. E. Smith for cash $603.90. Received from M. E. Lynch cash to apply on account $500. Sold to J. M. Stearns on note at 90 days invoice of goods $634.19. Bought of L. H. Farren, 2/10, 1/30, invoice of books $216.18. Paid clerks cash $65. Paid coal bill $23. Paid gas bill $18.19. Paid Day, Lindsay and Hastings on account $100.

January 28. Received cash for petty sales $500.19. Sold to L. E. Smith for cash $160.18. J. M. Stearns returns, from invoice of January 15, books $11.90. Paid Day, Lindsay and Hastings invoice of January 15th less 2 per cent. Discounted Stevens' sixty-day acceptance of January 15. Paid for office supplies $31. Paid for freight $17.50.

January 30. Sold invoice of books to R. E. Mason (2/10,

1/30), $719.18. Sold to L. E. Smith for cash $263.19. Received cash for petty sales $300. Bought of Dean and McManus (2/10, 1/30), $797.18. Bought of Day, Lindsay and Hastings (2/10, 1/30), invoice of books $1000. Paid clerks $70. Paid cash for office supplies $17. Paid cash for lighting, etc. $8.96. Paid freight $18.90. Withdrew cash for private use $400.

Inventory of merchandise at closing $3500.

Close the accounts and find your net gain or loss as proprietor, also your net capital.

Example VI

Open accounts as follows: B. F. Simmons, 8 lines; cash, 16 lines; merchandise, 12 lines; G. T. Stuart, 9 lines; R. D. Thurston, 5 lines; C. A. Towle, 5 lines; Emerson Pease, 5 lines; A. D. Wiley, 8 lines; Harry Caswell, 8 lines; house No. 15 Main Street, 10 lines; bills payable, 9 lines; bills receivable, 5 lines; expense, 10 lines; interest and discount, 8 lines; loss and gain, 9 lines.

Kalamazoo, Mich., August 1, 19—. B. F. Simmons commences business with the following resources and liabilities—Resources: cash $5000, merchandise $7500, G. T. Stuart $1325, R. D. Thurston $700, C. A. Towle $375. Liabilities: bills payable $2200, Emerson Pease $1645, A. D. Wiley $538, Harry Caswell $680. 2. Sold for cash 150 bbls. St. Louis flour @ $5.25. 3. Paid rent in cash $137. 4. Paid cash to Harry Caswell in full. 5. R. D. Thurston settles his account, giving his note at 30 days for $450 and cash for the balance. 6. Bought of S. J. Gushee house and lot No. 15 Main Street, giving in payment cash $2500; draft at 15 days on G. T. Stuart $800 and my note at six months for $3000 (debit the house account in one sum for the total cost $6300, and credit cash, G. T. Stuart, and bills payable for their respective amounts). 7. Discounted Thurston's note for $450, discount $4.25, proceeds $445.75. 8. Sold for cash 50 bbls. St. Louis flour @ $6.25. 9. Gave A. D. Wiley sight draft on C. A. Towle $375 (debit A. D. Wiley and credit C. A. Towle). 10. Paid my note to Clarence Conant in cash $1200. 11. Bought of Harry Caswell on account 3400 bushels of oats 55¢. 13. Paid cash for remodeling Main Street house $500. 13. Sold G. F. Stuart on account 510 bbls. Pittsburg's best flour @ $6.50.

14. Received cash for rent of Main Street House $35. 15. Bought for cash 450 bbls. Pittsburg's best flour @ $5.75. 16. Paid cash for insurance on Main Street house $175. 17. Gave Emerson Pease a thirty-day draft on G. F. Stuart to close his (Pease's) account. 18. Sold for cash 76 lbs. prunes @ 20¢. 19. Received cash of G. F. Stuart to close account. 20. Paid my note to S. J. Gushee in cash ($3000) less discount for four months $60 (debit bills payable and credit cash and interest). 21. Sold Main Street house to Judson Davis for cash $10,000. 22. Paid Harry Caswell cash in full. 23. Paid my note to A. R. Davis in cash $1000. 24. Paid cash for insurance of merchandise in store $385. 25. Paid cash for advertising $315. 26. Paid pay-roll $225. 27. Took cash for personal expenses $318. Inventory of unsold merchandise $6475.

Close the accounts showing net gain or net loss and net capital at closing.

IX

REVIEW QUESTIONS

1. What is a business transaction? Illustrate.
2. Define and illustrate the terms debit and credit.
3. What is an account?
4. What does the debit side of any account show?
5. What does the credit side of any account show?
6. Give a general rule for debits and credits.
7. Into what three general classes may accounts be divided?
8. Define and illustrate each class.
9. Name everything that might be included under the term "Cash."
10. What is the object of the Cash Account?
11. Apply the rule for debits and credits to this account.
12. What is the object of the Merchandise Account?
13. For what is merchandise debited and credited?
14. What is meant by real estate?
15. For what is the Real Estate Account debited and credited?
16. What is a promissory note? Illustrate.
17. What is a draft? Illustrate.
18. What is an acceptance? Illustrate.
19. How may a note or draft be transferred? Illustrate.
20. For what is the Bills Receivable Account debited and credited?
21. For what is the Bills Payable Account debited and credited?
22. Apply the rule for debits and credits to personal accounts.
23. What is the object of the following Accommodation Accounts? Interest and Discount, Expense?
24. For what is the Interest and Discount Account debited and credited?
25. For what is the Expense Account debited and credited?
26. How can it be determined whether any of the Accommodation Accounts show a gain or a loss?
27. What is an Inventory?
28. Define double entry bookkeeping.
29. In double entry bookkeeping how may the debits and credits be determined?
30. How does double entry bookkeeping differ from single entry bookkeeping?

X

THE JOURNAL DAY BOOK

The Day Book

The Day Book is a book of facts in which a concise historical record is kept of all transactions as they occur with the debits and credits omitted.

It is often used with the journal for the purpose of shortening the process and when so used the book is called the journal day book.

Since the day book, as a separate book, is so seldom used now, we shall simply illustrate its use and then pass to the study of the journal day book.

On page 63 is a common form of day book.

Work for the Student

Take a sheet of journal paper and carefully copy the model day book shown on the next page, paying special attention to your penmanship. The fine print at the top of the next page and in the side column in the model is to be omitted in copying, but note its significance.

THE JOURNAL DAY BOOK

The journal day book, as we have already learned, is a book of original entry containing a record of each business transaction, at the time, under the date, and in the order of its occurrence, and also the names of the accounts affected by the transaction, showing which accounts are debited and which are credited.

It is the principal book of original entry. The record of a transaction in the journal day book is called a journal entry.

All journal entries should be explained clearly and fully and in as few words as possible so that they may be properly interpreted by any one who may examine the books.

Day Book

April 1, 1911

Date	Page of the journal where the transactions are journalized.	Record of Transactions	Items		Amounts	
		John M. Crapo invests				
		Cash, as per cash book	$1000	00		
		Merchandise, as per inventory	1500	00	$2500	00
3		Bought of Lewis Downs				
		Bill mdse. for cash			150	00
6		Sold Frank P. Huntress on %				
		Bill mdse.			100	00
7		Bought of Byron J. Huse				
		Bill mdse. on %			37	50
8		Sold Loring W. Cole				
		Mdse. and recd. his note			44	31
10		Paid Simon P. Davis				
		Cash for stationery and stamps			5	50
13		Recd. of Frank P. Huntress				
		Cash on %			25	00
15		Bought of William King				
		Mdse. on %			75	00
17		Bought mdse. of Silas K. Long				
		Gave him in payment cash	100	00		
		Our note for balance	125	00	225	00
20		Sold Frank P. Huntress				
		Mdse. on %			19	00
22		Paid William King				
		Cash on %			20	00
24		Paid cash for insurance	13	50		
		For drayage	4	00	17	50
27		Recd. of Frank P. Huntress				
		Cash on %			35	00
29		Sold Harvey Jones				
		Bill mdse. for his note			137	50
		Bought of Lucius Crane				
		Mdse. for our note			49	60
		Total footing of day book			3440	91

The following illustrates the usual form for a journal day book entry:

			2			
		Geo. Overlook, Mdse.	Sold on % 30 ds. 30 bu. Potatoes @ $1.20 = $36 40 bu. Wheat @ $1.00 = $40	$76		$76

This transaction shows a sale of merchandise to George Overlook on account. At the left are indicated the names of the two accounts affected by the transaction, viz., George Overlook and Merchandise. The name of the account to be debited is always written first, as is the case with George Overlook in the entry above. On the same line and in the left hand money column the sum to be debited is written, which in this transaction is $76.

The name of the account to be credited is written on the next line below the name of the debit account and a little to the right of it, as is merchandise in the entry above, and on the same line in the right hand money column is written the amount to be credited.

At the right of the perpendicular line in the middle of the page is the explanation of the entry. This explanation takes the place of the day book when a separate day book is not kept.

Journalizing is the method of recording transactions in the journal by arranging the debits and credits in a convenient form for posting. The mere recording of transactions by omitting debits and credits is not, strictly speaking, journalizing but the method used in keeping the day book.

Rules for Journalizing

1. Credit each proprietor with his investment at the commencement of business, and with his additional investments.

Debit him with his debts assumed, and with all sums withdrawn.

2. Debit persons, firms, banks, railroads, and all other parties with the balance due us at opening the books, and with what value they *receive* from us for which they do not pay.

Credit the same with the balance due from us at opening, and for all value received of them for which we do not pay.

3. Debit the Cash Account with money on hand at opening,

and money received. Credit the Cash Account with money paid out.

4. Debit the Bills Receivable Account with the face value of notes receivable which are on hand at opening, and those afterward received. Credit the account with the same when disposed of.

5. Credit the Bills Payable Account with the face value of notes payable which are outstanding when the books are opened, and those afterward issued. Debit the account with the same when paid.

6. Debit merchandise, real estate, bank stock, etc., under some proper title, with the inventory of property on hand at opening, and with the cost of that which is bought. Credit the same account with what is received from sales.

7. Debit the Interest Account with what is due to us on written promises to pay, above the face value, at opening, and what is paid by us for the use of money. Credit the interest account with what is due from us at opening, and what is paid us for the use of money.

8. Credit the Discount Account with all deductions made on our written promises to pay or those of others, when they come into our hands. Debit the same account with all deductions on the same when they pass out of our possession.

9. Debit the Expense Account with all incidental expenses (such as rents, fuel, clerk hire, stationery, etc.) incurred in carrying on the business. Credit the same account with all returns from the same.

10. Debit the Loss and Gain Account with all losses. Credit it with all gains.

These rules may be condensed thus:

Debit what comes *into* the concern, and credit what *brings* it in. Credit what goes *out* of the concern, and debit what *carries* it out. Debit losses; credit gains.

WORK FOR THE STUDENT

Take a sheet of journal paper and carefully copy the model journal book shown below, paying particular attention to the form and penmanship.

Number the pages of the journal 1 and 2, placing the numbers in the upper right and left hand corners of the page respectively.

Following is the model journal day book which is to be copied by the student as indicated above:

January 2, 19—

1	Cash	Harry C. Pease has	$3500		
1	Harry C. Pease	this day commenced the Flour and Grain business, investing Cash $3500.00			$3500
		2			
1	Expense	Paid rent of store for	65		
1	Cash	month of January			65
		3			
1	Mdse.	Bought of C. J. Perry	1500		
1	Cash	for Cash 300 bbls. Flour @ $5.00			1500
		4			
1	Cash	Sold J. M. Paul for	300		
1	Mdse.	Cash 50 bbls. Flour @ $6.00			300
		5			
2	I. D. McCorrison	Sold, on account, 30	180		
1	Mdse.	bbls. Flour @ $6.00			180
		6			
1	Mdse.	Bought, on account,	16		
2	A. A. Waterman	30 days, 400 bu. Oats @ 40¢			16
		8			
1	Harry C. Pease	Withdrew for private	75		
1	Cash	use			75
		9			
1	Mdse.	Bought of Willard	485		
2	Bills Payable	Sherman, on my note at 30 days, 75 bbls. Flour @ $5.00, 200 bu. Rye @ 55¢			485
		10			
2	Bills Receivable	Sold E. S. Jacobs on	348		
1	Mdse.	his note at 30 days, 50 bbls. Flour @ $6.00, 100 bu. Oats @ 48¢			348
		15			
1	Cash	Received Cash on ac-	50		
2	I. D. McCorrison	count			50

January 16, 19—

2	A. A. Waterman	Paid invoice of the	$ 16			
1	Cash	6th			$ 16	
	17					
1	Mdse.	Bought, on account,	76			
3	J. C. Smith	200 bu. Oats @ 38¢			76	
	20					
1	Mdse.	Bought of Sumner	475			
2	Bills Payable	Webster on my note of 60 days 100 bbls. Flour @ 4.75			475	
	23					
3	Allen C. Ames	Sold, on account, 40	240			
1	Mdse.	bbls. Flour @ $6.00			240	
	26					
1	Expense	Paid cash for books	25			
1	Cash	and stationery			25	
	27					
1	Expense	Paid cash for cleaning	12	50		
1	Cash	windows and doing sundry jobs			12	50
	30					
1	Cash	Sold J. M. Paul for	60			
1	Mdse.	cash 10 bbls. Flour @ $6.00			60	
	31					
1	Expense	Paid salaries to date	45			
1	Cash				45	
	February 1, 19—					
1	Cash	Sold J. A. Sammis for	5			
1	Mdse.	cash 10 bu. Oats @ 50¢			5	
	3					
3	E. A Kimball	Sold, on account, 45	270			
1	Mdse.	bbls. Flour @ $6.00			270	

On page 69 is another form of journal showing the footings of the debit and credit columns at the bottom of each page, which footings are carried to the next page:

You will also observe that each credit is introduced by the word "to." This is not necessary, however, and is an old form.

This form of journal day book is not as good as the form you

have copied but is given to show how the old form differs from the new.

Compare the two forms carefully and note the differences. You need not copy this form.

JOURNAL DAY BOOK

Agreement

A. B. Meservey and C. D. Thyng have this day formed a partnership with the firm title "Meservey and Thyng," for the purpose of engaging in a general furniture and carpet business in the village of New Hampton. Each partner invests $5000 cash, and agrees to spend his entire time in the business. The profits are to be divided equally. If either partner wishes to terminate the partnership, he shall give six months' notice to the other partner.

Bank Account

Usually money in bank is considered as so much cash on hand, and no entry is made in the day book when money is deposited or checks are drawn. In this example an account is kept with the bank, in order to show how it may be done if desirable.

The above agreement refers to the Journal Day Book which follows.

New Hampton, N. H., July 2, 19—

		CASH, Dr. To Sundry Accts.	10,000	00		
		To A. B. Meservey. For amount invested,			5,000	00
		" C. D. Thyng. For am't invested,			5,000	00
		N. H. COL. BANK, Dr.	10,000	00		
		To Cash. For amount deposited,			10,000	00
		(See deposit check and pass book.)				
3		REAL ESTATE, Dr. To Sundry Accts.				
		Bought of E. H. Prescott, his store and lot (see deed),	4,600	00		
		To N. H. Col. Bank. Paid per check,			2,000	00
		" Bills payable. For note at three months, secured by mortgage,			2,600	00
		(See check and mortgage.)				
		MERCHANDISE, Dr. To Sundry Accounts.	7,246	28		
		Bought of Higgins Brothers. Manchester, the whole stock of furniture and carpets, which they had in their branch store in this village.				
		(Inventory omitted.)				
		To N. H. Col Bank. Paid per check,			4,000	00
		" Bills payable. Note at 15 days, $2,000.00			3,246	28
		Acceptance favor of Geo. A. Emerson at 10 days, 1,246.28				
		CASH, Dr. Sold F. P. Moulton,	94	50		
		28 yds. Carpeting, @ $1.00, $28.00				
		1 Study Chair, 8.00				
		4 Office Chairs, @ $3.00, 12.00				
		1 Study Table, 4.50				
		1 Roll-top Desk, 42.00				
		To Mdse. As above,			94	50
		Amount carried forward,	31,940	78	31,940	78

New Hampton, July 6, 19—

		Amount brought forward,	31,940	78	31,940	78
		BILLS RECEIVABLE, Dr. Sold T. H. Heath,	137	50		
		On his note @ 10 days, 1 Parlor Suite.				
		To Mdse. As above,			137	50
		EXPENSE, Dr. Paid for set of books for store,	36	25		
		To Cash,			36	25
7		INSURANCE, Dr. Paid Hartford Insurance Co.	36	00		
		Prem. on $3,500 at one per cent, for insuring store, $35.00				
		Policy, 1.00				
		To N. H. Col. Bank. Check No. 3,			36	00
9		F. W. SANBORN, Dr. Sold him on % at 30 days,	30	00		
		1 Portable Bookcase, $18.00				
		1 Standing Desk, 12.00				
		To Mdse. As above,			30	00
10		SUNDRY ACCOUNTS, Dr. Sold Geo. H. Dickerman:—				
		1 Turkish Cabrio Suite, $231				
		1 Black Walnut Chamber set, 175				
		1 Eastlake Gothic Suite, 110				
		$516				
		Cash ⅓ paid on delivery,	172	00		
		F. W. Sanborn, order on him for ⅓,	172	00		
		Geo. H. Dickerman, balance on %, at 10 days,	172	00		
		To Mdse. As above,			516	00
		MDSE., Dr. To Sundry Accounts,	2,420	38		
		Bought of Higgins Brothers (Manchester), invoice of furniture, as per bill.				
		To Cash. Amount paid them,			200	00
		" N. H. Col. Bank. Check, No. 4,			1,000	00
		" Higgins Brothers. Balance on % at 10 days,			1,220	38
		Amount carried forward,	35,116	91	35,116	91

New Hampton, July 12, 19—

		Amount brought forward,	35,116	91	35,116	91
		SUNDRY ACCOUNTS, Dr. To Sundry Accounts. C. D. Thyng has this day made the following additional investment, for which he is to receive 7% interest out of the undivided profits at the end of the year.				
		Cash. Paid into the concern by him,	400	00		
		Bills Rec. For face value of H. A. Snow's note, dated July 9, at 30 days,	500	00		
		N. H. Col. Bank. For check deposited to our credit,	100	00		
		To Discount. On H. A. Snow's note, 30 days at 7 per cent,			2	92
		" C. D. Thyng. His additional investment,			997	08
		SUNDRY ACCOUNTS, Dr. Discounted H. A. Snow's note, at the N. H. Col. Bank.				
		Discount. 30 days @ 7%,	2	92		
		N. H. Col. Bank. Net proceeds placed to our credit,	497	08		
		To Bills Rec. Face of note,			500	00
		INSURANCE, Dr. Paid Ætna Ins. Co., Prem. on $5,000 for two years, at 2%, for insuring whatever goods may be in our store.	100	00		
		To N. H. Col. Bank. Per check,			100	00
13		N. H. INST., Dr. Sold on %,	175	00		
		11 School Tables, @ 10.50, $115.50				
		99 " Chairs, @ .50, 49.50				
		10 Stools, @ 1.00, 10.00				
		To Mdse. As above, 175.00			175	00
14		EXPENSE, Dr. Paid for oil, postage, envelopes, etc.,	14	25		
		To Cash. Per memorandum book,			14	25
		Amount carried forward,	36,906	16	36,906	16

New Hampton, July 14, 19—

		Amount brought forward,	36,906	16	36,906	16
		BILLS PAYABLE, Dr. To Sundry Accounts,	2,000	00		
		Discounted our note favor of Higgins Bros., due July 21.				
		To Discount. 6%, on $2,000 for 7 days,			2	33
		" N. H. College Bank. Balance, per check,			1,997	67
16		BILLS PAYABLE, Dr. Paid our acceptance, favor of George A. Emerson,	1,246	28		
		To N. H. Col. Bank. Per check,			1,246	28
17		SUNDRY ACCOUNTS, Dr. To Sundry Accounts. The referees selected to estimate the damage caused by the fire on the 15th inst. have reported their decision as follows:				
		Hartford Ins. Co., for damage on store,	700	00		
		Ætna Ins. Co., for d mage on goods,	1,342	00		
		To Real Estate, loss as above,			700	00
		" Mdse., loss on goods,			1,342	00
		N. H. COL. BANK, Dr. To Sundry Accounts,	2,042	00		
		Received check for amount of loss on store and goods, which we have deposited,				
		To Hartford Ins. Co., for loss on store,			700	00
		" Ætna Ins. Co., for loss on goods,			1,342	00
19		NEW HAMPTON COL. BANK, Dr., T. H. Heath has this day paid his note of the 6th inst., at the bank.	137	50		
		To Bills receivable. Face of note.			137	50
20		CASH, Dr. Received of him,	172	00		
		To Geo. H. Dickerman, to balance %,			172	00
		Amount carried forward,	44,545	94	44,545	94

New Hampton, July 20, 19—

		Amount brought forward,	44,545	94	44,545	94
		CASH, Dr. Sold E. C. Lewis,				
		1 Double Back Parlor Suite.	175	00		
		To Mdse. As above,			175	00
21		SUNDRY ACCOUNTS, Dr. To Sundry Accounts.				
		F. W. Sanborn, sold him on %,				
		1 Reading Chair,	4	50		
		Cash. Received of him on %,	31	62		
		To Mdse. As above.			4	50
		" F. W. Sanborn, for cash on %,			31	62
		HIGGINS BROS., Dr. Paid them to balance %,	1,220	38		
		To N. H. Col. Bank. Per check,			1,220	38
		CASH, Dr. Received from Treasurer,	175	00		
		To N. H. Inst. To balance %,			175	00
		N. H. COL. BANK, Dr.,	900	00		
		To Cash. Deposited,			900	00
23		SUNDRY ACCOUNTS, Dr. Sold Daniel S. Jones (Bristol),				
		A bill of goods slightly damaged by fire (omitted to save space).				
		Cash. ½ paid down,	241	54		
		Bills Rec. ½ note at 30 days,	241	54		
		To Mdse. For above invoice,			483	08
26		GEO. H. DICKERMAN, Dr. Paid his order,	41	38		
		Favor of Albert Barnes, in goods,				
		To Mdse. From our store,			41	38
		Amount carried forward,	47,576	90	47,576	90

New Hampton, July 27, 19—

		Amount brought forward,	47,576	90	47,576	90
		N. H. Col. Bank Stock, Dr. Bought of M. H. Merrow, 10 shares @ 98%.	980	00		
		To N. H. Col. Bank. Paid per check,			980	00
28		Real Estate, Dr. Paid for repairing store, which was damaged by fire, July 15,	586	00		
		To N. H. Col. Bank. Per check,			586	00
		F. W. Sanborn, Dr. Sold him on %,	64	00		
		1 Sofa, $46				
		1 Lounge, 18				
		To Mdse. As above,			64	00
30		Mdse, Dr. Bought of Higgins Bros., On our note at 20 days,	364	00		
		To Bills Payable. Invoice Mdse. (omitted),			364	00
31		Expense, Dr. Per Expense Book,	171	83		
		Paid Clerk Hire, $60.00				
		" for Drayage, 33.50				
		" Freight Bill, 61.12				
		" for Sundries, 17.21				
		To N. H. Col. Bank. Per check,			171	83
		Total footing,	49,742	73	49,742	73

In the model journal day book that you have copied note the following features:

1. When a personal account is debited or credited the name of the person need not be repeated in the explanation.

2. The transactions are separated from one another by a single line upon which only the date of the following transaction is written.

3. The date of the first entry at the top of any page is usually written in full, including the month, day, and year.

4. The name of each debit account is written close to the line at the left, and each date and each explanation is written close to the line down the center of the page.

5. The name of each credit account is written a little to the right of the name of the debit account on the next line.

6. The record for a transaction at the bottom of the page is not divided. If there is not enough space for the whole entry, begin it on a new page.

EXERCISES IN JOURNALIZING

A

Take a sheet of journal paper and journalize the following applying the rules for debits and credits you have already learned.

February 1, 19—. You (the student) began business, investing cash $5000. 2. Bought merchandise for cash $1000. 3. Sold merchandise for cash $750. 4. Sold merchandise to Jordan Ames on account $780. 5. Bought real estate for cash $1500. 6. Jordan Ames has paid you cash on account $345. 8. Bought merchandise of Hartwell and Company on your note at 5 days $900. 9. Sold merchandise for cash $975. 10. Sold merchandise to Henry Hoyt on account $647. 11. Sold merchandise to James Marvel on his note $674. 12. Paid cash for repairs $10. 13. Paid our note of the 8th to Hartwell and Company $900. 14. Paid cash for clerk hire $20. 15. Sold merchandise for cash $375.

B

March 1, 19—. You (the student) invested cash $9000. Bought merchandise of Gardner and Company on our note at 10 days $1300. 2. Sold merchandise to S. T. Coons for cash $347. 3. Bought for cash a house and lot valued at $7500. 4. Sold Robert A. Dempsey on account merchandise $356. 5. Bought merchandise of E. M. Linscott on account $845. 7. Received of Robert A. Dempsey cash on account $156. 8. Sold to J. P. Moody on his note at 30 days merchandise $747. 10. Sold house and lot for cash $8700. 11. Paid in cash our note of the 1st to Gardner and Company $1300. 12. Paid E. M. Linscott in full of account $845.

C

April 1, 19—. You (the student) invested cash $8500. Bought for cash real estate valued at $6000. 2. Bought merchandise of Charles Ripley for cash $2100. 3. Sold merchandise to L. J. Law and received in payment his note at 10 days for $1700. 4. Sold merchandise to Sion W. Luce on account $782.25. 5. Paid cash for merchandise $175. 6. Bought merchandise of Erastus Proctor and Company and gave in payment our note at 10 days for $546. 8. Received cash from Sion W. Luce on account $250. 9. Sold for cash a vacant lot $2700. 11. Bought merchandise of A. J. Palmer on account $1175. 13. Received of E. J. Law, cash in payment of his note of the 3d $1700. 15. Paid to A. J. Palmer cash on account $700. 16. Paid in cash our note of the 6th to Erastus Proctor and Company for $546. 18. Sold merchandise to John F. Mohler on account $520.

D

May 1, 19—. You (the student) invested cash $6000. 2. Bought merchandise on my note at 10 days $1148.73. 3. Bought real estate for cash $5775. 5. Sold merchandise to W. H. Meredith on account $473.25. 6. Sold merchandise for cash $426.06. 8. Bought merchandise for cash $167.67. 9. Received cash from W. H. Meredith in full of account $473.25. 10. Bought merchandise of Frank Lamont on account $678.45. 11. Loaned to Fred C. Banks $540 on his note at 30 days, endorsed by A. D. Cline. 12. Paid in cash my note of the 1st $1148.73. 13. Paid Frank Lamont cash on account $346.28.

E

June 1. 19—. The proprietor began business with merchandise on hand valued at $5500 and cash $350. 2. Paid store rent for June $150. 3. Paid for insurance on goods $35. 4. The proprietor has made an additional investment in the form of cash $1250. 5. In counting the cash it is discovered that $15 has been lost. 6. The proprietor has drawn cash for private use $75. 8. Paid for repairs on store $33. 9. Sold merchandise for cash $235. 10. Received $68 cash as commission for selling goods (credit commission). 11. Gave my note at 30 days for merchandise bought $487. 12. J. H. Austin, who owes us $175

on a note, has failed and the amount of the note is a total loss (debit loss and gain, credit bills receivable).

F

July 1, 19—. You (the student) began business this day, investing cash $1250. 2. Bought of Daniels and Fellows on our note at 30 days 100 bbls. of flour @ $5; 100 bbls. of apples @ $5. 5. Paid bill of A. J. Smith for office books and stationery $25. 5. Sold to William Glidden on account 10 bbls. of flour @ $6; 15 bbls. of apples @ $2.50. 6. Bought of Clark and True on our note at 30 days 75 bbls. of potatoes @ $2.25. 7. Bought of Brunyate and Company on account 20 bbls. flour @ $6; 60 bbls. apples @ $2.50. 8. Sold Camp and Taylor on their note at 10 days with interest 25 bbls. flour @ $6; 25 bbls. potatoes @ $2.75. 8. Received cash from William Glidden in full settlement of his bill of the 5th. 9. Prepaid note of the 2d in favor of Daniels and Fellows, less discount for 18 days (debit bills payable and credit cash and discount). 18. Camp and Clark paid their note of the 8th with interest. (Bills receivable and interest credit.) 20. Paid gas bill for the month $6.50. 25. Sold merchandise for cash $28.75. 30. Paid salaries $125.

G

March 2, 19—. Cyrus Ross invests in business, cash $5000; merchandise $6000; J. V. Upham's note, $475; and an account against Thomas P. Newton for $147.63. Cyrus Ross owes J. R. Lewis on account, $47.28; F. P. Dorman on account $268.42; Robert Lowe on note $163.12; and interest on above note $19.28.

March 3. J. V. Upham pays cash on his note $100.

March 6. Sold J. R. Lewis, on account, 1 side-bar buggy $87.50.

March 7. Thomas P. Newton pays cash on account $50.

March 9. Sold Melville Watts on his note at 60 days 1 combination buggy $90.

March 10. Bought of Union Carriage Company, on our note at 60 days, bill of merchandise $642.75.

March 14. Paid F. P. Dorman cash on account $200.

March 17. Sold J. A. Howe, on account, 1 double harness $37.50; 1 single harness $18.25; 2 robes @ $12

March 18. Paid cash for sundry expenses $11.21.

March 21. J. V. Upham pays cash on his note $100.

March 23. Thomas P. Newton pays cash on account $50.

March 25. Paid cash for our note favor of Robert Lowe, face of note $163.12, interest to date $19.93.

March 27. Paid our note favor of James White, face of note, $642.75, discount off $5.36.

March 28. J. V. Upham pays the balance due on his note. We discount $3. He pays us cash $272.

March 30. Sold Solon Dodge on his note at 6 months 1 cabriolet, $250; 1 delivery wagon $70.

March 31. Sold Thomas P. Newton, on account, 1 phaeton $150; 1 harness $42; 1 whip $2.75.

Merchandise on hand $5930.47.

H

Manchester, N. H., August 1, 19—. Edward F. Higgins and Hadley F. Higgins have this day entered into partnership, under the firm name and legal title of "Higgins Brothers," as dealers in crockery, furniture, bedding, carpets, feathers, etc., at 1054 Elm Street, Manchester, N. H. Each proprietor is to receive an equal share of the profits, and sustain an equal share of the loss. Each partner invests cash $10,000. Deposited in Amoskeag Bank $15,000. Paid for rent of store, one month in advance, per check $100. (All our banking business is done with the Amoskeag Bank.) Bought of J. P. George his entire stock of goods at 71 per cent on the original bills, exclusive of freight and drayage bills. Total footings of inventory, $13,784.22. Gave in payment, cash $3000; check $3000; note at 90 days $3786.80. Paid for set of books for use of store $37.50. Paid per check, Hartford Insurance Company, for insuring $8000 on goods in store @ 1½ per cent $120.

August 2. Sold N. S. Bean, for cash:

1 No. 2 B. W. bedstead	$22.00
1 Dressing-case (18 × 36 mirror)	40.00
Excelsior	.40
Glass case	.50
Marble box	.75
4 Mats, 16 yds., at 12¢	1.92
	$65.57

(The learner should enter this, and all similar bills in this example, in full in the Journal day book.)

August 3. Bought per check from Paine's manufactory, 141 Friend Street, Boston, bill furniture amounting to $4128.16.

August 4. Sold W. H. Frye, Rochester, on account, at 30 days:

3	doz.	U. C. dining-chairs, in wood . .	@ $ 9.50	$28.50
1	"	Douglass wood-seat chairs, in wood.		10.00
½	"	Child's folding carriages . . .	@ 48.00	4.00
8	"	Common wood chairs . . .	@ 5.00	40.00
3	"	Rocking-chairs	@ 15.50	46.50
15	"	Five spin. chestnut W. S. chairs	@ 6.00	90.00
				$219.00
		Discount 5 per cent		10.95
				$208.05

August 7. Sold Aretas Blood, on his note at 30 days:

24	sets, 1⅝,	No. 2 bed casters	@ 13¢	$3.12
40	" 2,	" 1 " "	@ 17¢	6.80
24	" 2,	" 2 " pt. casters . . .	@ 23¢	5.52
18	"	" 3 plate casters . . .	@ 11¢	1.98
18	"	I. H. P. W. casters . . .	@ 13¢	2.34
6	"	Brass H. & W. casters . .	@ 35¢	2.10

Discount, 40 per cent.
Add carting, 40 cents.

August 8. Discounted our note, favor J. P. George, of the 1st instant, 86 days, @ 6 per cent. Paid the net proceeds per check.

August 10. Sold N. H. Inst., for cash:

100 school desks	@ $4.50	$450.00
100 high stools	@ 1.00	100.00

August 10. Sold Washington Robinson, Concord, on account at 30 days:

4 French husk mattresses	@ $3.50	$14.00
4 " " " soft top . .	@ 4.00	16.00
1 husk mattress, soft top		3.00
2 burlaps	@ 1.50	3.00

August 11. The Concord Railroad Company have this day paid as cash for damages on merchandise forwarded by their road, $39.80.

August 12. Sold W. J. Dudley, for cash:

1 No. 1 open-top ash refrigerator	$17.00
1 " 4 open-front ash refrigerator	30.00
Less 40 per cent discount.	

August 13. Sold Charles G. Kelley, Gilmanton:

1 stone china dinner set (Edwards), 116 pieces . .	$10.50
1 black walnut chamber set	91.00
25 yards carpeting @ $1.10	27.50
On his note at 60 days.	

August 14. Sold Hon. E. A. Straw, per check, which we have deposited:

1 Globe sideboard, 4 ft.	$70.00
Discount, 10 per cent.	

August 18. Sold Rev. George M. Park:

1 No. 45 Eastlake sideboard, 4½ ft.	$50.00
1 " 1 black walnut extension table, 8 ft.	8.80
1 " 10 Eng. draw secretary	45.00
8 dining chairs, in leather, @ $1.50	12.00
Received, ½ cash, ½ note at 60 days.	

Discounted the above note, discount off 63 days at 6 per cent; proceeds to our credit in the bank.

August 20. Sold to steamer "Lady of the Lake" a bill of crockery, carpets, and furniture, amounting to $436.25, on account, at 60 days.

August 23. Bought of Hon. Frederick Smyth, a store-house on Blank Street, No. 61, for $3500. Paid, per check $1000; balance on note at 6 months, secured by mortgage.

Paid cash for insurance on same, 1 per cent on $2800, $28.

August 24. Deposited in bank, $2000.

August 25. The loss on merchandise, caused by fire, has this day been adjusted and the agent has paid us cash $3000.

August 28. Sold W. H. Frye, Rochester, a bill of merchandise amounting to $91.42, on account, at 10 days.

August 31. Paid gas bill, clerk hire, freight, drayage, and sundry other expenses, per expense book $321.13.

Inventory of merchandise at closing estimated at $10,113.07.

I

Assets

May 1. 19—.

Cash $4422.27; merchandise $6372.40; bills receivable $85.; Thos. P. Newton $67.38; J. R. Lewis $35.22; J. A. Howe, $94.75.

Liabilities

F. P. Dorman $177.67; bills payable $275; Cyrus Ross' net capital $10,624.35.

May 2. Paid cash on our note of April 24, $100.

May 4. Received cash of Thos. P. Newton on account $36.50.

May 5. Asa Pond has paid cash for his note of April 24. The face of the note is $85, but we have discounted $2 for present payment. We receive from him cash $83.

May 6. Cyrus Ross has withdrawn from the business, cash $250.

May 9. J. A. Howe has paid cash on account $25.

May 11. Sold Homer B. Loomis on his note at three months, 1 coupé Rockaway $225.

May 12. Paid F. P. Dorman cash on account, $75.

May 13. Bought of Geo. Wilson, bill of carriages, on our note, at 4 months $325.84.

May 15. Thos. P. Newton has paid cash to balance account $30.88.

May 16. Paid cash for sundry expenses $12.75.

May 18. Paid cash for balance of our note of April 24 $175.

May 19. J. R. Lewis has paid cash to balance account $35.22.

May 20. Sold Hiram P. Copeland, on account, 1 phaeton body-cart, $35.

May 22. J. A. Howe has paid cash to balance account $69.75.

May 23. Paid F. P. Dorman cash to balance account $102.67.

May 25. Homer B. Loomis has paid his note of the 11th instant, and we have discounted $3 for payment before it was due. He has paid cash $222.

May 26. Paid our note of the 13th instant, and received a deduction of $2.25 for payment before it was due. Paid cash for balance $323.59.

May 27. Hiram P. Copeland has paid cash to balance his account $35.

May 29. Paid cash for rent $30.

May 30. Sold entire stock of merchandise for cash $6521.53.

J

July 1, 19—. John S. Porter and Robert Long form a partnership, under the firm name of "Porter and Long," as dealers in bicycles and bicycle furnishings. John S. Porter invests his store and lot $5000; a note signed by Abraham Carter, dated January 1, 19—, for $1000, payable in one year, with interest at 6 per cent from date; a note signed by Albert Towle, dated April 1, 1897, for $250, payable in 6 months at 5 per cent; an account against Lincoln and Spencer for $128.14; an account against Alonzo Brackett for $67.29.

The firm assumes to pay for John S. Porter a note favor of Lyman York, dated March 1, 191–, for $900, payable 8 months from date, with interest at 7 per cent; a note favor of Freeman Little, dated May 1, 191–, for $400, at 4 months, with interest at 4 per cent from date; an account favor of Edwin Adams, for $79.14; an account favor of Peter Doyle, for $73.41.

Robert Long invests merchandise valued at $4281.34; cash $3000; a note signed by Simon Woodman for $450, dated June 1, with interest at 6 per cent; an account against David and Watts for $74.11; and an account against Alden Fellows for $33.55; an account against Luther Pollard for $61.72.

The firm assumes to pay for Robert Long, a note favor of Luther Springer, dated June 1, 191–, for $300, with interest at 4 per cent from date; an account favor of David Monroe for $27.34; an account favor of Roscoe Pelton for $86.72.

July 3. Sold Alden Fellows, on account, 6 nickel-plated bicycle search-lights, No. 10, @ $5; 6 No. 40 @ $3.25; 3 No. 60 @ $2.25. Paid Roscoe Pelton cash on account $50.

July 5. Sold David and Watts, on account, ½ doz. bicycle wrenches @ $12.50; 1 doz. bicycle locks, $6; 6 spiral spring saddles @ $4.50. Received cash of Luther Pollard on account $40. Paid cash for petty expenses $5.75. Sold Peter Doyle on account, Remington bicycle $100.

July 5. Sold Moses Riley, for cash, 4 doz. trouser-guards @ $2.25; 3 display stands @ $1.25; 8 wall brackets @ 25¢;

4 air-brakes @ $3.50. Paid John S. Porter cash on private account $14.75. David and Watts have paid cash on account $50.

July 6. Paid for insurance on store $25. Sold Alonzo Pearson on his note at 4 months 2 Eagle bicycles @ $100; 2 boys' bicycles @ $40. Paid Robert Long cash on private account $8.50.

July 7. Lincoln and Spencer have paid cash to balance account, less discount 6 per cent. Sold David Monroe on account 6 hand pumps @ 50¢; 6 foot pumps @ $1.25; 8 lever pumps @ $7.50; 4 tornado pumps @ $4.25. Paid John S. Porter cash on private account $4.87.

July 8. Paid for petty expenses $3.21. Paid note favor of Luther Springer, with interest to date.

July 10. Sold Alonzo Brackett on account, 2 prs. single tube tires @ $12; 2 prs. juvenile tires @ $7; 1 pr. tandem tires $15.

July 11. Sold to Lincoln and Spencer, on account, 1 doz. single stroke bells @ $4.50; 2 doz. double stroke bells @ $6. Sold Wm. P. Dewey for cash, 3 alarm gongs at $5; 2 tandem bells @ $1.50.

July 12. Alonzo Pearson has paid cash for his note, less discount off 3 per cent. Bought of Eagle Bicycle Company bill of merchandise on our note at 4 months, without interest $475.

July 13. Alden Fellows has paid cash on account $50. Sold Edwin Adams, on account, 1 search-light $5; 1 automatic alarm gong $5; 1 flat-spring saddle $4.50.

July 14. Paid cash for insuring merchandise in store $28.50 (charge to expense account). Sold Lincoln and Spencer, on account, ½ doz. bicycle watches @ $15; 2 doz. bicycle brushes @ $3; 4 doz. dress-guard laces @ $2.50; 2 doz. repair outfits @ $6; 1 doz. enamel polish $3.

July 15. Sold Charles Martel, for cash, 1 tool bag 75¢.; 1 tourist bag $1.50; 1 safety oiler 25¢.; 1 doz. chain compound $2.75. Received cash from Alonzo Brackett on account $75.

July 17. Sold Peter Doyle on account, 1 doz. tourist bags $15.50; 1 doz. oilers $2.50. Paid John S. Porter on private account $12.50.

July 18. Bought of Wentworth and Company, for cash, bill goods $342.17. Paid Robert Long cash on private account $7.25.

July 19. Sold Roscoe Pelton on account, 1 tally-ho searchlight $5.25; 1 single stroke bell 50¢.; 1 automatic alarm gong $5; 1 wrench $1; 2 padlocks @ 55¢.

July 20. Received cash of David and Watts on account $40. Paid note favor of Freeman Little, with interest at 4 per cent to date.

July 21. Sold Luther Pollard, on account, ¼ doz. bicycle wrenches @ $9; ½ doz. padlocks @ $5.50; ½ doz. cyclometers @ $15; 2 doz. trouser guards @ $3.50; ⅛ doz. luggage carriers @ $12.00; ½ doz. grips @ $4.50; ⅛ doz. handle-bars @ $36. Paid cash for expenses $1.18.

July 22. Received cash of Peter Doyle on account $25.

July 24. Bought of American Machine Company bill bicycles and furnishings on our note at 60 days $263.13. Paid our note favor Eagle Bicycle Company, less discount for 3 months and 18 days, at 6 per cent.

July 26. Paid blacksmith's bill for Robert Long and charged the same to his private account $11.41. Simon Woodman has paid his note with interest to date.

July 27. Sold Roscoe Pelton on account, 1 pr. single tube bicycle tires $9.50; 1 pr. double tube tires $10.50; 1 spiral-spring saddle $5. Luther Pollard pays cash on account $35.

July 28. Received cash of Alden Fellows on account $25.

July 29. Received cash of Roscoe Pelton to balance account. Sold Edwin Adams on account, 1 doz. guard laces $2.40; 1 doz. repair outfits $3.25; 2 doz. tire brushes @ $2.50; 1 doz. bottles lubricating oil $2. Paid our note favor American Machine Company, less discount for 55 days at 6 per cent.

July 31. Paid for salaries and expenses $157.37. Real estate at closing, estimated value $5000; merchandise, estimated value $4500. Net capital at closing $12,187.

XI

THE LEDGER

As previously defined, the ledger is a book of accounts in which debits and credits are arranged under their proper titles. The accounts which we studied in the first chapters of this book are Ledger Accounts.

The transactions recorded in the journal must be transferred to the ledger and the method of making the transfers is called posting. Each debit amount in the journal day book must be carried to the debit side of the proper account in the ledger and and each credit amount in the journal day book must be carried to the credit side of the proper account in the ledger. Each entry in the ledger must show the date and amount of the transaction and also the page of the journal day book from which the entry is posted.

Posting. Take two sheets of ledger paper and, after numbering each side of the sheet as you numbered your journal, post the entries from your copy of the model journal day book.

Open accounts in your ledger as follows, placing four accounts on a page. On the top line of page 1, above the horizontal red line, write in large script **Harry C. Pease** so that the letter **C** will come at about the center of the page. Then open accounts with cash, merchandise, and expense on page 1, I. D. McCorrison, A. A. Waterman, bills payable, and bills receivable on page 2, J. C. Smith, Allen C. Ames, and E. A. Kimball on page 3. Let each account occupy one fourth of a page, remembering that the top line of each page, which is the line above the horizontal red lines, should be used for the first account of that page. Let the name of each account extend across the perpendicular blue line so as to make the account come in the center of the page.

In order to avoid posting an entry to the wrong side of the account, it is best to post all the debits first and then all the credits, instead of posting debits and credits alternately.

The following model ledger will illustrate the above directions:

HARRY C. PEASE

19—						19—						
Jan.	8		2	75		Jan.	1		1	3500		

I. D. McCorrison

19—						19—				
Jan.	5		1	180		Jan.	15		2	50
					A. A. Waterman					
19—						19—				
Jan.	16		2	16		Jan.	6		1	16
					Bills Payable					
						19—				
						Jan.	9		2	485
							20		3	475
					Bills Receivable					
19—										
Jan.	10		2	348						

J. C. SMITH

						19— Jan.	17		2	76	
					ALLEN C. AMES						
19— Jan.	23		3	240							
					E. A. KIMBALL						
19— Feb.	3		4	270							
					LOSS AND GAIN						
19— Feb.	3	Expense	1	137	50	19— Feb.	3	Mdse.	1	411	
	3	*Harry C. Pease, Proprietor	1	273	50						
				411	00					411	00

* To be written in red ink.

The first debit entry in your journal day book belongs in the Cash Account, so post the amount $3500 to the debit side of this (Cash) Account. Write also the date of the transaction, including the year, and the page of the journal from which the item is posted, which in this case is page 1. Since the journal day book contains a complete record of each transaction, it is not necessary to write anything in the explanation column of the ledger, so you may omit these explanations hereafter.

A ledger with the explanations omitted is called a Skeleton Ledger.

The first debit item in your model ledger shows this entry properly posted as will also the following:

CASH

191– Jan.	1		1	3500								

It is now necessary to indicate in your journal that this entry had been posted, and this is done by writing in the square at the left of the entry, the page of the ledger to which the entry was posted.

The following illustrates the manner of doing this:

January 1, 191–

	1	Cash H. C. Pease	Harry C. Pease has this day commenced the Flour and Grain business, investing Cash.	$3500			$3500

Post the other debits in your journal day book, after which post the credits in the same manner. If in doubt, you may consult the model ledger which shows the proper postings.

Be very careful to post each amount to the proper side of the ledger, to post it to the proper account and to see that the amount is correct.

The ledger page should not be entered in the journal, until after the entry has been posted. If you will remember this, you will be saved from making the error of posting the same account more than once.

After you have posted the entries from your journal day book to your ledger, go over each posting a second time and if each item has been correctly posted, place a small check mark (✓) with a pencil on the double-ruled line at the left of the amount in your ledger and a similar mark beside the amount in your journal day book. If you find that you have checked any item twice, you have made an error either by posting an entry twice or by checking the wrong item.

Next post the ten exercises in journalizing that you have already done and then check your posting. In each exercise, open four accounts to a ledger page.

XII

THE TRIAL BALANCE

A Trial Balance is a test to determine whether the sum of the debits in the ledger is equal to the sum of the credits. It does not always follow, however, that because the sum of the debits is equal to the sum of the credits, that the ledger is posted correctly but such is usually the case.

To take a trial balance, first foot up such accounts in the ledger as have more than one item posted to them, placing the amount of each side in small light lead pencil figures directly under the last item posted there and as near the item as possible. Do not put these pencil figures on the next ruled blue line but above the line, so that the next blue line may be used for the next posting. Do not erase the figures after finishing the trial balances.

Take a piece of journal paper or a piece of fool's cap paper and rule it as a journal paper is ruled. At the top of the paper, write the words Trial Balance and under it, at the left write the names of all the accounts that appear in your ledger with the ledger page in the column at the left of the names. The footing of the debit side of all the accounts in the ledger must be entered in the debit or left hand column of your trial balance, and the footing of the credit side of all the accounts in your ledger must be entered in the credit or right hand column.

We cannot make any hard and fast rule as to how often a trial balance of the ledger accounts should be taken, since custom varies with different bookkeepers and it depends upon the exigency of the case. Some bookkeepers take a trial balance monthly, others weekly and still others less frequently.

The ledger as it is kept each day shows the debits and credits in both permanent and temporary accounts. A trial balance of these footings would show whether the ledger as a whole balanced but would not give a very good idea of the condition of the business. This latter information would have

to be obtained from the statements of resources and liabilities and losses and gains which will be explained later.

The following illustrates the form of trial balance for the model ledger you have copied:

TRIAL BALANCE, FEBRUARY 3, 191–

	Harry C. Pease	$ 75		$3500	
	Cash	3915		1738	50
	Merchandise	2552		1403	
	Expense	147	50		
	I. D. McCorrison	180		50	
	Bills Receivable	348			
	Bills Payable			960	
	J. C. Smith			76	
	Allen C. Ames	240			
	E. A. Kimball	270			
		$7727	50	$7727	50

You will notice that A. A. Waterman's account had the same amount on each side of it, or in other words the account balanced. When such is the case, that an account balances, it is not necessary to have that account appear in the trial balance although it would not be wrong if it did. Another way of taking a trial balance is to write only the difference between the two sides of each account in the money columns of the trial balance.

The following illustrates a trial balance taken in this manner from the model ledger:

TRIAL BALANCE, FEBRUARY 3, 191–

	Harry C. Pease			$3425	
	Cash	$2176	50		
	Merchandise	1149			
	Expense	147	50		
	J. D. McCorrison	130			
	Bills Receivable	348			
	Bills Payable			960	
	J. C. Smith			76	
	Allen C. Ames	240			
	E. A Kimball	270			
		$4461		$4461	

Work for the Student

Take trial balances for each of the ten problems that you have journalized and posted.

How to Find Errors in Trial Balances

You will probably make some errors but many of them can easily be found, if you go about your work in a systematic manner.

The following suggestions will help you to find errors in your trial balances.

1. Verify your additions both in the trial balance itself and in each ledger account; also verify your subtractions in finding the difference between the sides of the ledger accounts.

2. Find the exact amount of the difference between the two sides of the trial balance and look through your journal and see if any such amount appears in either column of the journal. If you find the amount, it has very probably been omitted in the posting and will correct the error.

3. An item posted to the wrong side of the ledger will cause a difference of twice the amount of the item. Look in the journal for an amount equal to half the difference between the two sides of the trial balance. A debit amount of half the difference posted to the credit side, or a credit amount posted to the debit side of the ledger, would give the amount of the difference.

4. If the difference between the sides of the trial balance is divisible by 9, it is probable that the figures have been transposed in posting, e.g., 49 posted as 94.

5. If all these methods are futile, go over your posting again.

XIII

CLOSING THE LEDGER

Men usually engage in business for the sake of the profit to be derived from it. But it is evident that a probability of gain involves a liability of loss. In business enterprises of considerable extent, every day brings its losses as well as gains. Rents, salaries, insurance, taxes, and other expenses must be paid from the profits; but the expectation is that the gains will exceed the losses.

The *net gain* belongs to the proprietor, and should be credited to him, when ascertained. The *net loss* should be debited. But the losses and gains are sometimes numerous, and to be found in many different accounts.

Hence, at stated times, all the gains and losses should be collected, the balance ascertained, and the proprietor's account adjusted. For this purpose, the most convenient method is to close all the accounts of the ledger.

As we wish to ascertain the net loss or gain, we open a Loss and Gain Account, and carry all losses to the debit side, and all gains to the credit.

If there is an excess of losses, the balance will be the net loss, and should be *debited* to the proprietor. If there is an excess of gains, the balance will be the net gain, and should be *credited* to the proprietor.

It will be perceived that the main object of closing the ledger is to adjust the proprietor's account, so that it will show the true state of his interest in the business. The balance of the Proprietor's Account, as we have already learned, represents the net capital invested.

Thus, in closing the ledger, we find four kinds of results: losses and gains, assets and liabilities.

The losses we carry to the debit side of the "Loss and Gain Account"; the gains, to the credit side.

Having explained the reason for closing the ledger, and the

general method to be pursued, we shall now proceed to close the model ledger.

Before closing the model ledger, however, there are certain preliminary steps to be taken:

1. Take a trial balance.
2. Take an inventory.
3. Take a statement of losses and gains.
4. Take a statement of resources and liabilities.

The first of these steps, taking a trial balance, we have already explained.

Inventory

An Inventory is a list of unsold merchandise and property on hand at the time the statement is rendered.

On the debit side of the Merchandise Account, is the worth of the merchandise invested by the proprietor and the cost of what was afterward bought. On the credit side of the account, we find the receipts from sales. From these facts, it is evident that the value of unsold merchandise must be ascertained before it can be determined whether there has been a gain or loss. The cost price is usually assumed to be the value of the thing inventoried.

If all the goods had been sold, there would be no inventory. But the goods were not all disposed of, so we take account of the stock remaining unsold which will be the inventory.

Let us take the Merchandise Account of the model ledger for an example.

By referring to the model journal and comparing the purchases and sales of merchandise, we find that we have on hand the following:

INVENTORY, FEBRUARY 3, 191–

	250 bbls. Flour	$5.00	$1250		
	500 bu. Oats	.40	200		
	200 bu. Rye	.55	110		$1560

Let us assume that the office-books and stationery are valued at $10. Such being the case, we would *have an inventory* of expense valued at $10.

Statement of Losses and Gains

This statement should show all the losses and gains of the business.

Using the same model ledger, the following will illustrate one way of making such a statement:

STATEMENT OF LOSSES AND GAINS, FEBRUARY 3, 191–

			Losses		Gains	
	Mdse. Inventory	$1560.				
	" Excess of cost over Sales	1149.				
	" Gain				411	
	Expense Cost	147.50				
	" Inventory	10.00				
	" Loss		137	50		
	*Net Gain		273	50		
			$411	00	$411	

* To be written in red ink.

Study the above statement carefully.

This statement simply means that you had on hand merchandise to the value of $1560 and that the difference between the debit and credit sides of the Merchandise Account in your ledger, before finding the inventory as shown by your trial balance, was $1149. If then your merchandise on hand is valued at $1560 and your trial balance shows a debit balance of $1149 for your Merchandise Account, you must have gained on merchandise the difference between $1560 and $1149, or $411.

Your expense as shown by your ledger and trial balance cost $147.50 and you have $10 worth of books and stationery on hand as shown by your expense inventory, consequently you lost on expense the difference between $147.50 and $10 or $137.50.

You have gained $411 on merchandise and lost $137.50 on expense, so your net gain must have been the difference between $411 and $137.50 or $273.50. This amount should be written in red ink.

When an amount is written in red ink, it indicates the difference between two columns or two sides of an account. Red ink entries are always placed on the smaller side and show that the

opposite side or column is greater than the column containing the red ink entry by the amount of such entry.

A red ink entry indicates that it does not belong on that side but is simply put there to balance the account. It indicates that the entry is to be transferred either to another account or below the rulings on the opposite side in the same account. When a transfer is made, the second entry should be made in black ink.

All red ink entries which you have made in your ledger must be transferred to the opposite side of the account in which they are made or to the opposite side of some other account, otherwise the ledger will be out of balance.

Statement of Resources and Liabilities

A **Resource**, as you have already learned, is something you have on hand or is owed you.

A **Liability** is something that you owe.

Using the same model ledger, the following will illustrate one form of a statement of resources and liabilities:

STATEMENT OF RESOURCES AND LIABILITIES, FEBRUARY 3, 191–

		Mdse.	as per Inventory	$1560			
		Expense	" " "	10			
		Cash	amount on hand	2176	50		
		I. D. McCorrison	balance due us	130			
		Allen C. Ames	" " "	240			
		E. A. Kimball	" " "	270			
		Bills Receivable	notes on hand	348			
		J. C. Smith	due him			76	
		Bills Payable	notes outstanding			960	
		*Present Worth				3698	50
				$4734	50	$4734	50

*To be written in red ink.

Study the above carefully.

The resources in the above statement are all taken from the trial balance with the exception of the amount of merchandise, which is the inventory, and the expense inventory, which is $10. If there were no inventory of expense, the expense account would not appear in the statement of resources and liabilities.

The difference between the total resources and total liabilities is the present worth, which in this case is $3698.50, and is

put in red ink in the liability column to make the footings of the two columns equal. It will be transferred to the proprietor's account in the ledger.

We are now ready to close the ledger.

Taking the model ledger as an illustration, we shall proceed to close it. Only the accounts that show loss and gain need be closed.

The first account in your model ledger which shows a loss or a gain is merchandise. The debit side of this account is $1149 more than the credit side. This indicates that you bought $1149 worth more of merchandise than you have sold. You still have on hand, as per inventory, $1560 worth of merchandise. It is assumed that you can sell this merchandise at its cost value, viz., $1560, so the Merchandise Account should be credited for this amount. Place the inventory of merchandise on the credit side of the Merchandise Account in red ink. Write the latest date, February 3, 19—, in the date column and the word Inventory in the explanation column (see illustration below). The footing of the credit side of the Merchandise Account, including the inventory, is now $2963. The footing of the debit side is $2552. Since the footing of the credit side is the larger, it is evident that there has been a gain of $411 ($2963 − $2552 = $411). Place the amount of gain, $411, in red ink on the debit side of the Merchandise Account, writing the latest date, February 3, 19—, in the date column and the word Gain in the explanation column. (See illustration below.) Foot your Merchandise Account, rule it, and bring your inventory below the ruled lines on the debit side as that is the amount of merchandise you will have to start with when you open your Merchandise Account again.

The following rule will apply to the closing of all merhandise accounts:

In closing the merchandise account, credit the account with the inventory of unsold merchandise, in red ink, and carry that amount to the debit side of the account, in black ink, after the account has been closed. Then write the difference between the debits and credits on the smaller side, in red ink, and carry the same to the opposite side of the loss and gain account as will be explained later.

The following illustrates the above:

MERCHANDISE

19—						19—					
Jan.	3		1	1500		Jan.	4		1	300	
	6		1	16			5		1	180	
	9		2	485			10		2	384	
	17		2	76			23		3	240	
	20		3	475			30		3	60	
Feb.	3	*Gain		411		Feb.	1		3	5	
							3		4	270	
						Feb.	3	*Inventory		1560	
				$2963						$2963	
19—											
Feb.	3	Inventory		1560							

* To be written in red ink.

The next account we have to consider in closing the ledger is the Expense Account. Use the Expense Account in the model ledger.

The debit side of the account represents the cost of expense which is $147.50. The value of office-books and stationery on hand, as per inventory, is $10. This amount should be entered in red ink on the credit side of the account just as we entered the merchandise inventory. The difference between the debit side, $147.50, and the credit side, $10, is $137.50 which is the loss on expense. This loss should be entered on the credit side of the Expense Account in red ink on the line below the inventory. The footing of each side of the Expense Account is $147.50. Rule and close the account just as you have ruled and closed the Merchandise Account. Bring down the inventory on the debit side in black ink.

The following illustrates the above:

EXPENSE

19—						19—					
Jan.	2		1	65		Feb.	3	*Inventory		10	
	26		3	25			3	*Loss		137	50
	27		3	12	50						
	31		3	45							
				$147	50					$147	50
19—											
Feb.	3	Inventory		10							

* To be written in red ink.

The next step is to open an account with loss and gain in our model ledger.

The debit side of the Loss and Gain Account shows the losses, and the credit side the gains.

You made an entry of $411 gain on your Merchandise Account, which throws your ledger out of balance. In order to make your ledger balance, you must transfer this amount, $411, in black ink, to the credit side of the Loss and Gain Account, writing the page of the Merchandise Account in the ledger page column of the Loss and Gain Account and the page of the Loss and Gain Account in the ledger page column of the Merchandise Account as shown in the illustration below. The following illustrates this step.

LOSS AND GAIN

						191– Feb.	3	Mdse.	1	$411	

Transfer the loss of the Expense Account ($137.50) to the debit side of the Loss and Gain Account, writing the page of the Expense Account in the ledger page column of the Loss and Gain Account and the page of the Loss and Gain Account in the ledger page column of the Expense Account as shown in the illustration below.

LOSS AND GAIN

191– Feb.	3	Expense	1	$137	50	191– Feb.	3	Mdse.	1	$411	

You now have the losses and gains as shown by your statement recorded on the debit and credit sides of the Loss and Gain Account respectively. It is evident that the difference between the sides of the Loss and Gain Account will show the net gain or

net loss of the business. Since the credit side is $273.50 greater than the debit side, the business has gained $273.50.

Place this amount on the debit side of the Loss and Gain Account, in red ink, writing the name of the proprietor, Harry C. Pease, as shown in the model ledger in the explanation column, and foot and rule the account.

The following illustrates the Loss and Gain Account of your model ledger properly closed.

LOSS AND GAIN

19—						19—					
Feb.	3	Expense	1	$137	50	Feb.	3	Mdse.	1	$411	
		*Harry C. Pease, Proprietor		273	50						
				$411	00					$411	00

* To be written in red ink.

We now find that we have one gain of $411 on merchandise and a loss of $137.50 on expense, making the net gain the difference between these two amounts, or $273.50.

The next account we need to close is the Proprietor's Account which in the model ledger is Harry C. Pease.

The debit side of this account is $75 and represents the withdrawals from the business. The credit side is $3500 and represents the investment. According to our Loss and Gain Account we have a net gain of $237.50 in red ink on the debit side of that account. In order to balance the model ledger, this amount should be transferred to the account of the proprietor, Harry C. Pease. Write in black ink on the credit side of the Proprietor's Account net gain $273.50 as shown below.

HARRY C. PEASE, PROPRIETOR

191–						191–					
Jan.	8		2	$75		Jan.	1		1	$3500	
						Feb.	3	Net Gain	3	273	50

Since the debit side of the Proprietor's Account shows that $75 has been withdrawn and the credit side shows that $3500 has been invested and a gain of $273.50, it is evident that the present worth of the business may be found by taking the difference between the sides of the Proprietor's Account. The difference between the sides is the present worth of the business which is $3698.50 which amount agrees with the present worth in the statement of resources and liabilities.

Transfer this amount in black ink to the opposite (credit) side of the Proprietor's Account on the first line below the ruling under the date of February 4, 19—.

The following represents the form of the Proprietor's Account properly footed and ruled.

HARRY C. PEASE, PROPRIETOR

19—						19—					
Jan.	8		1	$ 75		Jan.	1		1	$3500	
Feb.	3	*Present Worth		3698	50	Feb.	3	Net Gain	3	273	50
				$3773	50					$3773	50
						19—					
						Feb.		Present Worth		$3698	50

* To be written in red ink.

If it should be desired to close the other accounts, this may be done by taking the difference between the sides and placing it on the smaller side in red ink, writing the word Balance in the explanation column as shown in the Cash Account below.

CASH

19—						19—					
Jan.	1		1	3500		Jan.	2		1	65	
	4		1	300			3		1	1500	
	15		2	50			8		2	75	
	30		3	60			16		2	16	
Feb.	1		3	5			26		3	25	
							27		3	12	50
							31		3	45	
						Feb.	3	*Balance		2176	50
				$3915						$3915	
19—											
Feb.	3	Balance		2176	50						

* To be written in red ink.

MODEL LEDGER CLOSED

HARRY C. PEASE, PROPRIETOR

19—						19—					
Jan.	8		2	75		Jan.	1		1	3500	
Feb.	3	*Present Worth		3698	50	Feb.	3	Net Gain	3	273	50
				$3773	50					$3773	50
						19—					
						Feb.	3	Present Worth		3698	50

CASH

19—						19—					
Jan.	1		1	3500		Jan.	2		1	65	
	4		1	300			3		1	1500	
	15		2	50			8		2	75	
	30		3	60			16		2	16	
Feb.	1		3	5			26		3	25	
							27		3	12	50
							31		3	45	
						Feb.	3	*Balance		2176	50
				$3915						$3915	
19—											
Feb.	3	Balance		$2176	50						

EXPENSE

19—						19—					
Jan.	2		1	65		Feb.	3	*Inventory		10	
	26		3	25			3	*Loss		137	50
	27		3	12	50						
	31		3	45							
				$147	50					$147	50
19—											
Feb.	3	Inventory		10							

* To be written in red ink.

I. D. McCORRISON

19—						19—					
Jan.	5		1	$180		Jan.	15		2	50	
						Feb.	3	*Balance		130	
				$180						$180	
19—											
Feb.	3	Balance		$130							

A. A. WATERMAN

19—						19—					
Jan.	16		2	16		Jan.	6		1	16	

BILLS PAYABLE

19—						19—					
Feb.	3	*Balance		960		Jan.	9		1	485	
							20		2	475	
				960						960	
						19—					
						Feb.	3	Balance		960	

BILLS RECEIVABLE

19—						19—					
Jan.	10		1	348		Feb.	3	*Balance		348	
19—											
Feb.	3	Balance		348							

MERCHANDISE

19—						19—					
Jan.	3		1	1500		Jan.	4		1	300	
	6		1	16			5		1	180	
	9		2	485			10		2	348	
	17		2	76			23		3	240	
	20		3	475			30		3	60	
Feb.	3	*Gain		411		Feb.	1		3	5	
							3		4	270	
						Feb.	3	*Inventory		1560	
				2963						2963	
19—											
Feb.	3	Inventory		1560							

* To be written in red ink.

J. C. SMITH

19—						19—					
Feb.	3	*Balance		76		Jan.	17		2	76	
						19—					
						Feb.	3	Balance		76	
				ALLEN C.		AMES					
19—						19—					
Jan.	23		3	240		Feb.	3	*Balance		240	
19—											
Feb.	3	Balance		240							
				E. A. K		IMBALL					
19—						19—					
Feb.	3		4	270		Feb.	3	*Balance		270	
19—											
Feb.	3	Balance		270							
				LOSS A		ND GA		IN			
19—						19—					
Feb.	3	Expense	1	137	50	Feb.	3	Mdse.	1	411	
	3	*Harry C. Pease, Proprietor	1	273	50						
				$411						$411	

* To be written in red ink.

Exercises in Closing the Ledger

After studying carefully the preceding pages relating to closing the model ledger, close the ledgers of the ten exercises in journalizing on pages 75–84 which you have already posted, according to the method shown above in the model ledger.

(If inventories are given at the end of any of the exercises they are not to be used until you close the ledger.)

XIV

THE CASH BOOK

The Cash Book is used to keep a record of all cash received and paid and is one of the most important books used in bookkeeping. It is a modified form of the journal day book.

The cash book does not differ from the cash account in the ledger except that more space is used and that the receipts and expenditures are entered in the cash book at the time they occur and that the balance may be obtained at any time, while if the cash entries are first entered in the journal day book and then posted, the balance cannot be so readily obtained.

In double entry bookkeeping it is customary to use two opposite pages for the cash book, the left hand page being used to record all cash received and the right hand page for all cash paid. The cash book should be balanced frequently. The difference between the debit and credit sides of the cash book is the balance of cash on hand either in the drawer, or in the bank, or both.

The ordinary cash book is ruled the same as the journal day book we have just studied.

Different kinds of business require different ruling in the cash book but we shall consider here the two column cash book.

See pages 108–109 for the form of the cash book just described.

Let us suppose that these same entries appeared in the journal day book. How would they be entered?

The first and second entries on the debit side of the cash account are: F. L. Davidson, amount invested $5000, and Bills Receivable, received from A. R. Davis $100. If these transactions were entered in the journal day book instead of the cash book, they would appear as follows:

JANUARY 1, 191–

		Cash	Amount invested	$5000			
		F. S Davidson				$5000	
			2.				
		Cash	Received from A. R.	100			
		Bills Receivable	Davis's note			100	

The first two entries on the credit side of the cash book are: Paid S. N. Simmons on account $200 and paid rent of store $80. If they were entered in the journal day book instead of the cash book they would appear as follows:

			3.				
		S. N. Simmons	Paid him on account	$200			
		Cash				$200	
			4.				
		Expense	Paid rent of store	80			
		Cash				80	

Each of the other entries on the credit side of the cash book would appear in the journal day book as the name of the account mentioned on that side of the cash book debit *and cash* credit.

The following transactions are the ones that appear in the cash book on pages 108–109. Trace them through this cash book.

January 1, 19—. F. L. Davidson invested cash $5000. 2. A. R. Davis paid us his note for $100. 3. Sold merchandise to Jerry Clark for cash $187.50. 4. Received from W. N. Dyer on account $50. 4. Paid rent of store $80. 5. W. S. Chaples paid us his note $675. 5. Paid our note in favor of Willard Sherman $183. 6. Received cash from A. H. Moody in full of account $468. 6. Paid cash for drayage on merchandise $5.75. 9. Received cash from Albert Miller to apply on account $100. 9. Paid for sundries $23.86. 10. C. F. Newbert paid us on account $66. 10. We paid E. B. Maddock on account $254.25. 11. I borrowed $100 from the Second National Bank and gave my note for the amount which note I discounted at the bank. 12. The bank took $7 as discount on the note I gave them. (Ask your teacher to explain the last two transactions if you do not understand them.) 12. Received on B. J. Ness's note $304. 12. Paid $6.50

CASH

19—	L.F.						
Jan. 1		F. L. Davidson	Amount invested	$5000			
2		Bills Receivable	Rec'd from A. R. Davis	100			
3		Mdse	Sold to Jerry Clark	187	50		
4		W. N. Dyer	On account	50			
5		Bills Receivable	Rec'd from W. S. Chapler	675			
6		A. H. Moody	In full of account	468		6480	50
						6480	50
Jan. 9		Balance				6012	25
9		Albert Miller	On account	100			
10		C. F. Newbert	On account	66			
11		Bills Payable	Discounted my note 2nd Nat'l Bank	700			
12		Bills Receivable	B. J. Ness's note	304			
13		Mdse	Sold to W. F. Sprague	127	75	1297	75
						7310	
Jan. 15		Balance				6878	39
16		J. G. Wentworth	On account	136	50		
17		Bills Receivable	Asa Pond's note	83			
18		J. A. Howe	On account	25			
21		Mdse	Sold David Jones	763	27		
22		B. J. Andrews	In full of account	145		1152	77
						7031	16
Jan. 23		Balance				5991	41
25		J. A. Smith	On account	177			
27		Hiram P. Copeland	In full of account	258	50		
29		Bills Receivable	H. P. Loomis's note	222			
31		Mdse	Sold to J. A. Martin	48		705	50
						6696	91
Feb. 1		Balance				6331	18

CASH

19—	L.F.						
Jan. 3		S. N. Simmons	Paid on account	200			
4		Expense	Paid rent of store	80			
5		Bills Payable	Note in favor of				
6			Willard Sherman	183			
		Mdse	Drayage	5	25	468	25
		*Balance				6012	25
						6480	50
Jan. 9		Expense	Paid for sundries	23	86		
10		E. B. Maddock	On account	354	25		
11		Discount	Note (60 ds) favor				
			2nd Nat'l Bank	7			
12		Expense	Paid for lamp	6	50		
13		Expense	" " clerk hire	40		431	61
		*Balance				6878	39
						7310	
Jan. 15		Bills Payable	Our note of Jan. 1st.	485			
16		F. L. Davidson	Withdrew from				
			business	250			
17		Expense	Sundries	12	75		
18		Bills Payable	Paid balance of our				
			note of Dec. 18	175			
21		E. B. Maddock	To balance account	100			
22		Expense	Sundries	17		1039	75
		*Balance				5991	41
						7031	16
Jan. 23		Bills Payable	Paid our note of				
			Dec. 23d	100			
25		F. L. Davidson	Withdrew from				
			business	75			
28		Expense	Sundries	15	73		
30		F. P. Dorman	To balance account	175		365	73
		*Balance				6331	18
						6696	91

* To be written in red ink.

for a lamp. 13. Sold merchandise to W. F. Sprague $127.75. 13. Paid clerks $40. 15. Paid our note of January 1, $485. 16. Received of J. G. Wentworth on account $136.50. 16. F. L. Davidson withdrew from the business $250. 17. Received cash on Asa Pond's note $83. 17. Paid sundry expenses $12.75. 18. J. A. Howe paid us on account $25. 18. Paid balance of our note of 12/08 $175. 21. Sold David Jones merchandise for cash $763.27. 21. Paid E. B. Maddock to balance account $100. 22. Received from B. J. Andrews to balance account $145. 22. Paid sundry expenses $17. 23. Paid on our note of December 23, $100. 25. Received of J. A. Smith in full of account $177. 25. F. L. Davidson withdrew from the business $25. 27. Hiram P. Copeland paid his account in full $258.50. 30. Paid F. P. Dorman to balance account $175. 31. Sold merchandise to J. A. Martin for cash $48. What is the balance of cash on hand?

Notice how the cash book is closed and the balances are brought forward.

POSTING THE CASH BOOK

In posting the cash book into the ledger every account named on the debit side of the cash book should be posted to the credit side of that account in the ledger, i.e., the first account on the debit side of the cash book should be posted to the credit side of F. L. Davidson's account in the ledger, and so on, and every account named on the credit side of the cash book should be posted to the debit side of that account in the ledger, i.e., the first account on the credit side of the cash book should be posted to the debit side of S. N. Simmons' account in the ledger, and so on.

The columns at the left of the entries marked L. F. (Ledger Folio) are for the number of the page in the ledger to which the account is posted.

Open accounts in the ledger and post the cash book.

EXAMPLES FOR THE CASH BOOK

Enter the following transactions in the cash book; then balance and post.

Example I

January 1, 19—. Balance of cash on hand $1575.83. 2. Re-

ceived from A. W. Bean to apply on account $84.52. 3. Sold S. B. Conant merchandise for cash $124.77. 4. Paid our note in favor of George F. Fogg due to-day $175 with interest on the same $1.75 (two entries). 5. Paid clerk hire $18. 6. Received for cash sales of merchandise $17.63. 7. Paid sundry expenses $3.86. 8. Paid cash for insurance premium $31.16. 9. Received cash on Clarence Conant's note in our favor $267.43. Sold merchandise to George Fowles for cash $154.63. 11. Paid cash for office supplies $14.75. 12. Received cash from C. F. Berry to apply on account $315.67. 13. Paid cash for washing store windows $5.75. 14. Received from Miles Burkett to balance his account $56.69. 15. Received from cash sales of merchandise $28.64. Find the balance of cash and close the cash book.

Example II

February 1, 19—. Commenced business with cash on hand $7500. 2. Bought merchandise for cash $1500. 3. Sold merchandise for cash $625.54. 4. Sold merchandise for cash $543.52. 5. Loaned cash on note $1000. 6. Paid cash for office supplies $25. 7. Bought merchandise for cash $387.63. 8. Received cash for note $800; for interest on the same $8.40. 9. Borrowed $125. 10. Bought merchandise for cash $225. Balance the cash book.

Example III

March 1, 19—. Commenced business with cash $8543.10. Bought merchandise for cash $1863.22. 2. Lent cash on note $842. 3. Bought merchandise of Ames and Edgecomb for cash $735.15. 4. Sold merchandise for cash to J. C. Fuller $863.27. 5. Paid cash for postage $5. 6. Paid B. B. Boggs on account $283.68. 7. Paid cash for office supplies $8.75. 8. Sold merchandise for cash $468.52. 9. Paid freight in cash $23.25. 10. Bought second-hand typewriter for cash $45. 11. Find the balance of cash and close the cash book.

Example IV

April 1, 19—. L. A. Thornton invested cash $1127.62. Seth J. Byron invested cash $8000. 4. Received from Isaac Hooper on account $50. 5. Paid cash for a set of books $17.50.

6. Received of Wiley and Foss cash $75. 7. Bought of Whitney, Morgan, and Company, for cash, merchandise $1075. 8. Paid rent $75. 9. Received from D. B. Floyd on his note $600; received interest on Floyd's note $7.51. 10. Seth J. Byron withdraws capital $1500. 11. Received from the Bethlehem Hotel Company $112. 12. Paid our note favor of Lowell Carpet Company $475.87. 13. Paid interest on the above note $5.01. Balance and close the cash book.

Example V

April 14, 19—. Balance on hand brought down from the preceding example .....* 15. Received from Wiley and Foss on account $25. 16. Received from Isaac Hooper on account $150. 17. Paid Dole Carpet Company on account $100. 18. Paid Lee, Mott, and Company on account $121. 19. Received cash on Maurice Kirby's note $40. 20. Paid cash on our note to J. Shepard $156. 21. Received discount on our note in favor of J. Shepard $2.70. 22. Sold merchandise to the Star Manufacturing Company $58.50. 23. Received cash on W. H. Spray's note $105. 25. Paid cash for sundries $17.50. 27. Received cash from Andrew Conant to balance account $60. 28. Sold merchandise for cash to William Cate $1028. Find the balance of cash and close the cash book.

*The student should supply this amount.

XV

THE SALES BOOK

The **Sales Book** is a book in which sales of merchandise are recorded. The use of this book saves much labor in posting as the footings of the columns can be carried from page to page and at the end of the week or month credited to the merchandise account in the ledger.

In posting the sales book each person is debited in the ledger for the amount of his purchase and at the end of the week or month the total of all sales is posted to the credit side of the merchandise account.

The following illustrates the usual form of a sales book.

APRIL 1, 19—

L.F.							
	✓	Charles F. Allen	Cash				
		6 Smyrna Rugs	$6.00			$36	
		2					
		Bethlehem Hotel Co	On %				
		264 yds carpeting	93½¢	$246	40		
		146 yds carpeting	62¢	90	52	336	92
		3					
		Bills Receivable, Note 4 mos.					
		4 pairs lace curtains	$10.00			40	
		5					
		Thomas Hunter	On %				
		36 yds. velvet carpeting	$1.50	54			
		20 yds. border	1.50	30		84	
		6					
		George E. Bacon	On %				
		37 yds ingrain	72¢			26	64
		7					
		Charles E. Adams	On %				
		76 yds. Brussels	$1.40	106	40		
		60 yds. Tapestry	90¢	54		160	40
		Merchandise, Cr.				$683	96

When the sales book is used merchandise sales are not recorded in the journal.

The column at the left of the names of the accounts is for the ledger page to which that account is posted.

The check mark (√) opposite Charles F. Allen's name means that Charles F. Allen is not to be debited in the ledger for this sale as he paid cash. This amount will appear on the debit side of the cash book.

If we used a journal day book for the above transactions. instead of the sales book, the accounts would appear in the journal day book as follows:

APRIL 1, 19—

Cash Merchandise	Sold C. F. Allen for cash, 6 Smyrna Rugs @ $6.00	$36		$36	
2					
Bethlehem Hotel Co Merchandise	Sold on ⅋ 264 yds. carpeting @ 93¾¢ 146 " " 62¢	336	92	336	92
3					
Bills Receivable Merchandise	Sold on note at 4 mos. 4 prs. lace curtains @ $10.00	40		40	
5					
Thomas Hunter Merchandise	Sold on ⅋ 36 yds. velvet carpet @ $1.50 20 yds. border @ $1.50	84		84	
6					
George E. Bacon Merchandise	Sold on ⅋ 37 yds. ingrain @ 72¢	26	64	26	64
7					
Charles E. Adams Merchandise	Sold on ⅋ 76 yds. Brussels @ $1.40 60 yds. Tapestry @ 90¢	160	40	160	40

EXAMPLES FOR THE SALES BOOK

Example I

August 1, 19—. Sold Everett Fish on account, 1 bureau $45; 1 extension table $15; 6 dining-room chairs @ $25 per doz. 2. Sold J. M. Paul on his note at 60 days 1 doz. dining-room chairs $25; 2 doz. mahogany bedroom chairs @ $40 per doz.; 2 extension tables @ $12. 4. Sold E. E. Ripley on account ½ doz. bedroom chairs @ $5; 1 wash-stand @ $6.50. 5. Sold B. A. Pitman, on account, 2 doz. parlor chairs @ $15; 1 bureau $20; 2 bedsteads @ $5. 7. Sold J. M. Light on his note for 30 days, 1 mahogany bookcase $35; 1 buffet $40; 2 morris chairs @ $15; 1 sideboard $42; 1 brass bedstead $50. 10. Sold Judson Philbrook, on account, 3-piece set of mission parlor furniture $45; 1 sewing-machine $30; 2 oak rocking-chairs @ $8; 1 dining-room table $30; 1 cradle $10; 1 oak serving table $10.

Example II

September 1, 19—. Sold W. H. Proctor, on account, 10 bbls. flour @ $4.20, 120 bu. wheat @ 85¢. 2. Sold E. M. Linscott on his note at 10 days 15 bbls. flour @ $4.50, 85 bu. oats @ 43¢. 3. Sold Arthur Colby, on account, 32 bu. wheat @ 95¢. 5. Sold W. N. Wellington for cash 8 bu. wheat @ 95¢, 20 bu. corn @ 30¢, 2 bbls. flour @ $5.

Example III

September 1, 19—. Sold A. T. Waltz, on account, 1 basket lima beans 80¢.; 1 basket green string beans 50¢; 1 basket white potatoes 40¢. 2. Sold T. F. Wadsworth for cash 1 basket sweet potatoes 60¢.; 1 basket okra 50¢.; 1 basket Jersey cantaloups 80¢.; 18 doz. ears of sweet corn @ 25¢. 4. Sold B. L. Whitney, on account, 2 doz. fruit jars @ $1.50; 1 basket of peaches $1.50; 20 lbs. sugar @ 5½¢.; 1 lb. assorted spices $1.25; 2 doz. jar rubbers @ 10¢.; 1 iron preserving kettle 80¢.

Example IV

October 1, 19—. Sold Miss Jane Carpenter, on account, 12 yds. of dark brown voile @ 65¢.; 22 yds. dark brown warranted silk @ $1.50; 1½ yds. of brown panne velvet @ $2; 1 piece

dark brown ribbon 80¢. 2. Sold John R. Payran, on his note at 30 days, 3 yds. of damask @ $3; 1 doz. damask table napkins @ $3; 1 doz. damask dinner napkins $4. 5. Sold Daniel Wood for cash 30 yds. linoleum @ $1.50; 50 yds. Chinese matting @ 40¢.; 1 Crex rug 6x10 $6; 2 Crex rugs, 3x4, @ $2. 6. Sold Benjamin J. Ness, on account, 1 cut-glass punch bowl $25; 1 doz. cut-glass punch glasses @ $15.

Example V

November 1, 19—. Sold A. J. Rokes, on account, 2 boys' woolen sweaters @ $3; 2 red woolen caps @ $1.50; 2 pairs boys' skates @ $2; 2 boys' extra fine light running sleds @ $4. 2. Sold O. C. Richardson, on account, 1 set Christmas tree ornaments $3; 1 set assorted glass balls 50¢.; 1 standard for holding Christmas tree $1. 5. Sold L. E. Sprowl, on his thirty-day note, 1 set Haviland China dinner dishes $55; 1 blue semi-porcelain breakfast set $20; 2 doz. ice-cream plates @ $4. 6. Sold J. E. Stevens, on account, 1 derby hat $3; 1 broadcloth overcoat $50; 1 suit of cheviot (blue) $35.

XVI

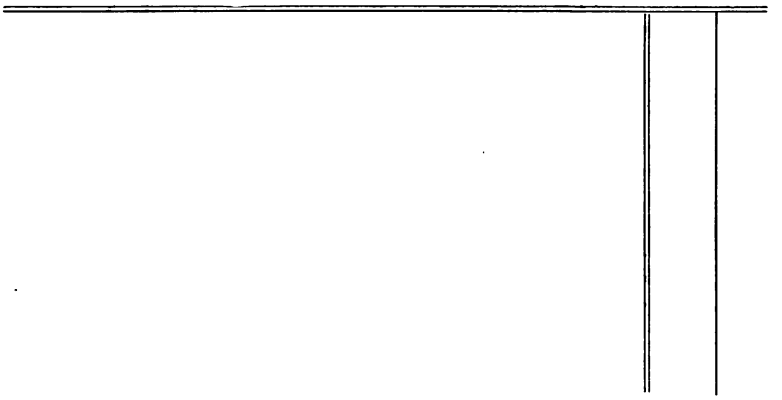
OTHER BOOKS OF ORIGINAL ENTRY

The Invoice Book

The invoice book should contain a record of all merchandise on hand at the commencement of business, and all merchandise bought.

There are several kinds of invoice books in use, the most approved form being a page ruled with a single money column at the right. The book is made up of the original bills of merchandise purchased, which bills are posted to the left side of the page overlapping each other and the amount of each bill is carried to the money column opposite the bill to which it belongs.

The following represents this form of invoice book.



When the invoice book is used it is not necessary to enter merchandise purchased in the journal-day book as formerly. The posting of the invoice book is just the opposite of that of the sales book.

Following is another form of invoice book which is not used as much now as it was formerly.

New Hampton, N. H., June 1, 19—

		[*Inventory of Merchandise invested by* DANIEL G. MOODY *in the firm of* MOODY & COLLINS.]				
		20 bbls. St. Louis ch. ex. flour @ $5,	100			
		24 " medium ex. flour @ $4,	96			
		25 " extra flour @ $4.20,	105			
		40 " Western superfine flour @ $5.50,	220			
		39 " Southern extra flour @ $5,	195			
		40 " " choice ex. flour @ $4,	160			
	77	200 bu. white wheat @ 76¢,	152			
		60 " barley @ 75¢,	45			
		201 " Southern corn @ 58¢,	116	58		
		165 " Western yellow corn @ 50¢,	82	50		
		400 " oats @ 46½¢,	186			
		310 " rye @ 70¢,	217			
		8 tons shorts @ $20,	160			
		3 " fine feed @ $21,	63			
		4 " middling @ $23,	92		1,990	08
		(Day book. — Investment of D. G. M.)				
4		*Bought of* E. P. PRESCOTT & Co., Concord.				
		50 bbls. Baltimore flour @ $4,	200			
	77	15 " rye flour @ $4,	60			
		4 " oatmeal @ $5.25,	21			
		1500 lbs. buckwheat flour @ 2¢,	30			
		500 bu. Southern white corn @ 64¢,	320		631	
		(Day book. — On % at 10 days.)				
10		*Bought of* THAXTER, SHAW, & Co.				
		200 bbls. St. Louis flour @ $4.75,	950			
	81	125 " Southern extra @ $5,	625			
		250 bu. Western white corn @ 56¢,	140			
		124 " oats @ 50¢,	62		1,777	
		(Cash book. — Paid cash.)				
14		*Bought of* E. B. PRESCOTT & Co.				
	86	560 bu. Southern mixed corn @ 50¢,	280			
		200 " barley at 75¢,	150			
		200 bbls. Genesee flour @ $4,	800		1,230	
		(Bill book. — Note at 10 days.)				
		Amount carried forward,			5,628	08

New Hampton, N. H., June 24, 19—

	Amount brought forward			5,628	08
	Bought of E. P. PRESCOTT & Co.				
86	640 bu. corn meal @ 62½¢,	400			
	200 bbls. flour at $4.50,	900		1,300	
	(Bill book. — Note at 30 days.)				
	Total invoice of the month,			6,928	08
	[*Inventory of Mdse. remaining unsold at the close of the month.*]				
	560 bu. Southern mixed corn @ 50¢,	280			
	522 " corn meal @ 62½¢,	326	25		
	400 " Southern white corn @ 64¢,	256			
	200 bbls. Genesee flour @ $4,	800			
	199 " " " @ $4.50,	895	50		
83	4 tons shorts @ $20,	80			
	2 " fine feed @ $21,	42			
	3 " middlings @ $23,	69			
	1100 lbs. buckwheat flour @ 2¢,	22			
	87 bu. rye @ 70¢,	60	90	2,831	65
	(Balance %. — At cost.)				

THE BILL BOOK OR NOTE LEDGER

The bill book or note ledger is a book in which a record is kept of notes receivable and payable, stating when they were received or issued, when they were paid or otherwise disposed of, and when they are due.

All notes made by other parties, which are received by the business should be recorded among the notes receivable and all notes issued by the business to other parties should be recorded among the notes payable.

The forms given on the pages following will serve to illustrate the bill book or note ledger.

The first column contains the number of the note, the second column the name of the maker, the third the name of the payee, the fourth column the date of the note, the time it has to run,

the date it is due, the next the amount of the note, and the last when and how disposed of.

The fractional forms in the day column are thus explained. In states where days of grace are allowed the upper figures denote the time when the note nominally comes due. The lower figures denote the time of the expiration of the days of grace.

The second form of note ledger differs from the first in form although the same information may be obtained from either.

The first column, you will notice, contains the number of the note, the second column shows the date the note was received, the third gives the name of the drawer if the bill is a draft or the name of the endorser if the paper contains an endorsement, the fourth column shows who is the drawee of the draft or the maker of the note, the fifth designates the payee,

BILL BOOK

NOTES AND BILLS

No.	Maker	Payee	Date 1910		Time
1	Peter C. Snow,	Daniel G. Moody,	April	15	60 days.
2	Geo. F. Sherburne,	Moody & Collins,	June	5	10 "
3	Cyrus S. Norman,	Moody & Collins,	"	12	10 "
4	Alden F. Fuller,	Moody & Collins,	"	28	20 "

NOTES AND BILLS

No.	Maker	Payee	Date 1910		Time
1	Moody & Collins,	E. P. Prescott & Co.	June	14	10 days.
2	Moody & Collins,	E. P. Prescott & Co.	"	24	30 days.

the sixth shows for what the note or draft was given. The next column shows where the instrument is payable and the next shows the year, month, and day the note was made and the number of days it has to run. The remaining columns are self-explanatory.

Days of Grace are three additional days beyond the day a note is due, allowed by law for the payment of such note. Days of grace have been abolished in nearly all the states.

Exercises in the Use of the Bill Book

Enter in your bill books as many of the notes listed under bills receivable and bills payable, pages 16 to 22, as the teacher may assign.

BILL BOOK

RECEIVABLE

When due			Amount		When and how disposed of		
Year	Month	Day					
1910	June	17	600		June	16	Paid
1910	"	18	240		"	18	"
1910	"	25	617	20	"	25	"
1910	July	11	154				

PAYABLE

When due			Amount		When and how disposed of		
Year	Month	Day					
1910	June	17	1230		June	26	Paid
1910	July	11	1300				

Bills

NO.	WHEN REC'D		DRAWER AND ENDORSER	DRAWEE OR MAKER	IN WHOSE FAVOR	FOR WHAT RECEIVED	WHERE PAYABLE
	1910						
1	Oct.	6		James E. Jordan	Frank A. Fisher	On account	Merchants B'k
2	"	10	S. W Cushing	F. W. Ried	C. E. Doner	Mdse.	1st National B'k

Bills

NO.	WHEN GIVEN		DRAWER AND ENDORSER	DRAWEE OR MAKER	IN WHOSE FAVOR	FOR WHAT GIVEN	WHERE PAYABLE
	1910						
1	Sept.	30		Student	James Black	On account	Our office
2	Oct.	3	John Jenkins	"	B. J. Tilton	On account	1st Nat'l Bank

Receivable

DATE			TIME	WHEN DUE												L. F.	AMOUNT	WHEN AND HOW DISPOSED OF		
YEAR	MONTH	DAY		Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			AMOUNT	DATE	REMARKS
1910	Oct.	6	30 ds.												5			$1200	1200	Oct. 5	Paid
1910	Oct.	10	60 ds.													9		1500			

Payable

DATE			TIME	WHEN DUE												L. F.	AMOUNT	WHEN AND HOW DISPOSED OF		
YEAR	MONTH	DAY		Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			AMOUNT	DATE	REMARKS
1910	Sept.	30	30 ds.											30				$550	550	Oct. 30	Paid
1910	Oct.	3	10 ds.											13				245			

XVII

REVIEW QUESTIONS

1. Describe fully the journal day book.
2. How does it differ from the day book?
3. What is the use in keeping a record of business transactions?
4. What is an account?
5. How does an account differ from the ledger?
6. Describe the ledger.
7. If you were to use but one book in your bookkeeping work which one would it be? Why?
8. What is a skeleton ledger?
9. What is meant by the term posting?
10. Describe the method of posting.
11. What is a trial balance?
12. Mention the various ways in which to find errors in the trial balance.
13. What is the object in closing the ledger?
14. On which side of the Ledger Account should the closing entry be made? Why?
15. What does a red ink entry signify?
16. How does the closing of the Merchandise Account differ from the closing of the Cash Account?
17. What items appear on the debit side of the Loss and Gain Account? On the credit side?
18. Explain fully the method of making a statement of losses and gains.
19. Explain fully the method of making a statement of resources and liabilities?
20. What is a resource? A liability?
21. What is the purpose of the cash book?
22. Why is an entry on the debit side of the cash book posted to the credit side of the ledger and vice versa?
23. Explain the use and purpose of the sales book.
24. Explain the use and purpose of the invoice book.
25. How do you post from the sales book to the ledger? From the invoice book to the ledger?
26. Explain the use and purpose of the note ledger.
27. If you enter all notes received and given directly to the note ledger and do not use the journal for entering such notes, how would you post from the note ledger to the ledger?
28. Write several notes and drafts and submit them to your teacher for approval.

XVIII

BUSINESS FORMS AND CUSTOMS

Since nearly all the business forms involve the use of money, it may be well to define the term money.

Money is everywhere in the commercial world the medium of exchange and the measure of value. It is the basis of trade in all civilized nations.

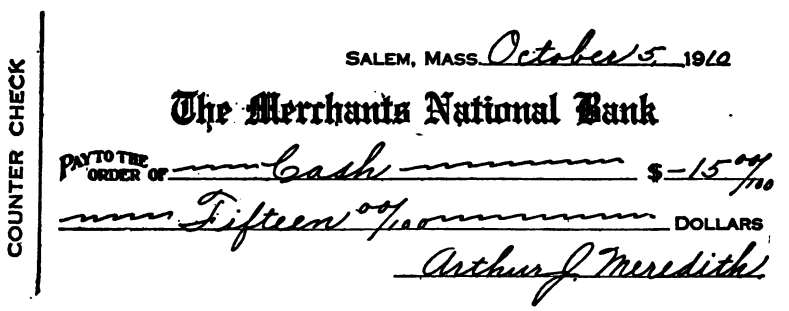
Before trade came to be used extensively, business was carried on by means of barter, which is the direct exchange of commodities for commodities. This system of exchange is still in vogue to-day to a limited extent.

Checks, post-office money-orders, express money-orders, etc., represent money and pass as freely in exchange as does the actual coin.

The purpose of this chapter is to show the various business forms and tell something of their uses. A few of the most common have been chosen.

Checks

It is often inconvenient to pay a debt in actual coin as it involves a danger of loss in transportation; it is too bulky and


COUNTER CHECK

SALEM, MASS. October 5, 1910

The Merchants National Bank

PAY TO THE ORDER OF Cash $15.00/100

Fifteen 00/100 DOLLARS

Arthur J. Meredith

costs too much to transport it from one place to another, so certain substitutes for money are used in business, and these pass just as freely as the money they represent.

The first business form which we shall consider, then, is a check.

A Check is a written order on a bank, drawn by a person who has money in that particular bank, directing the payment of a specified sum of money to a person named or some person he may designate, or sometimes to the bearer of the check. It is payable immediately upon presentation.

The forms of checks are given in the illustrations.

The forms differ slightly with different banks but the essential features of the check are the same everywhere.

MERCHANTS NATIONAL BANK

SALEM, MASS. October 6, 1912. NO. 547

PAY TO THE ORDER OF James S. Dana — $215 60/100

Two hundred fifteen and 60/100 DOLLARS

James K. Johnson

It is, of course, necessary that each person who draws a check should have an account in the bank on which the check is drawn. This account can be kept active by depositing money from time to time in the bank.

The advantages which a person derives from having an account at the bank are:

First. It provides a safe place for keeping his money, thus insuring him against loss by burglary and theft.

Second. It provides a convenient method for making payments. In paying by check, time and trouble are saved in handling and counting large sums of bills and coins and there is less apt to be a mistake in paying out money.

Third. The bank affords excellent facilities for collecting the money.

If the merchant had to send his clerks to various parts of the city or out of the city to collect the cash for the various checks, drafts, and money-orders he receives it would take considerable time and labor. When he deposits these the bank will collect

the money on them for him thus saving him considerable time and labor.

In order to open an account with the bank a person must be introduced to the bank officials by some one who is well known to them and must satisfy them that he is a person of good character and responsibility. If he succeeds in doing this the bank official has the person write his name in the style in which he will sign his checks, in the signature book or on a card so that the bank may be able to guard against forgery. The person then makes his first deposit and the receiving teller gives him a pass book with the amount of his deposit entered therein.

The **Pass Book** is arranged in ledger form and contains a record of the credit transactions with the bank. On the debit side of the pass book are placed all sums passed to the depositor's credit, such as cash and checks deposited, discounts allowed, or collections made by the bank for the depositor. On the credit side are placed the orders which have been paid by the bank, whether checks, notes, or drafts.

If all the checks issued have been paid the balance of the pass book will equal the balance in the check-book.

When the pass book is returned to the depositor, it should always be compared with the check-book, about which we shall study next, to see if any mistakes have been made.

Every time a deposit is made the depositor must fill out a deposit slip, furnished by the bank, to be kept by the receiving teller and by him given to the bookkeeper.

The pass book should be presented at the bank whenever a deposit is made or funds are withdrawn. It should be returned to the bank when the account is closed.

All entries in the pass book should be made by the treasurer or one of the bank tellers, the handwriting of the bank officer serving the purpose of a voucher.

The entries made by the bank officer of amounts received from the depositor serve as a receipt for such moneys.

The form of entry in the bank pass books is similar to that of a ledger account. Formerly ledgers and bank pass books had but one set of cash columns but the old form is gradually giving place to the more modern practice of having two or more sets of money columns.

DEPOSIT TICKET

FOR DEPOSIT IN

The First National Bank

OCEAN CITY, N. J.

BY *Charles F. Ames*

August 3, 1910

	DOLLARS	CTS.
BANK NOTES	50	
GOLD		
SILVER	12	50
CHECKS, as follows: . . . . (Enter Singly and Where Payable)		
First National Bank, Ocean City, N. J.	150	25
Second National Bank, Atlantic City, N. J.	18	60
	$231	35
TOTAL		

See that all Checks are Properly Endorsed

DEPOSIT TICKETS

DEPOSITED BY

MESERVEY & THYNG

IN

NEW HAMPTON COLLEGE BANK

NEW HAMPTON, N. H., July 2, 19—

Bank bills,	5,000	00
Checks	5,000	00
"	10,000	
"		
"		
"		
"		

DEPOSITED BY

MESERVEY & THYNG

IN

NEW HAMPTON COLLEGE BANK

NEW HAMPTON, N. H., July 12, 19—

Bank bills,		
Checks,	100	00
"		
"		
"		
"		

The following are the forms of a deposit account and pass book.

PASS BOOK.

Dr. NEW HAMPTON COLLEGE BANK TO MESERVEY & THYNG. *Cr.*

1911				1911			
July 2	To cash,	10,000	00	July 3	By check No. 1,	2,000	00
" 6	" note, $137.50,	137	50	" 3	" " " 2,	4,000	00
" 12	" check,	100	00	" 7	" " " 3,	36	00
" 12	" discount,	497	08	" 11	" " " 4,	1,000	00
" 18	" check,	2,042	00	" 12	" " " 5,	100	00
" 21	" cash,	900	00	" 14	" " " 6,	1,997	67
				" 16	" " " 7,	1,246	28
				" 21	" " " 8,	1,220	38
				" 27	" " " 9,	980	00
				" 28	" " " 10,	586	00
				" 31	" " " 11,	171	83
				" 31	" balance,	338	42
		13,676	58			13,676	58
Aug. 1	To balance,	338	42				

DEPOSIT ACCOUNT.

July 2	Deposited,	10,000	00		*Amount forward,*	1,463	41
" 3	Check No. 1,	2,000	00	July 16	Check No. 7,	1,246	28
		8,000	00			217	13
" 3	Check No. 2,	4,000	00	" 17	Deposited,	2,042	00
		4,000	00			2,259	13
" 7	Check No. 3,	36	00	" 19	T. H. Heath's note,	137	50
		3,964	00			2,396	63
" 10	Check No. 4,	1,000	00	" 21	Check No. 8,	1,220	38
		2,964	00			1,176	25
" 12	Deposited,	100	00	" 21	Deposited,	900	00
		3,064	00			2,076	25
" 12	H. A. Snow's note discounted,	497	08	" 27	Check No. 9,	980	00
		3,561	08			1,096	25
" 12	Check No. 5,	100	00	" 28	Check No. 10,	586	00
		3,461	08			510	25
" 13	Check No. 6,	1,997	67	" 31	Check No. 11,	171	83
		1,463	41			338	42

The forms of pass books, deposit slips, and other bank supplies vary a little with each banking institution.

The checks intended for deposit must first be indorsed. The customary form of indorsement for deposit is:

Pay to the order of Merchants National Bank Charles Smith.	or	For Deposit Only For credit of Charles Smith.

(The subject of indorsements will be discussed fully under the head of promissory notes and drafts.)

The first form of indorsement means that Charles Smith has transferred this check to the Merchants National Bank where he has an account, to be placed to his credit. The second form of indorsement shows that Charles Smith wishes to have the amount of this check added to his deposit. The two indorsements mean practically the same thing.

A **Check Book** is a book containing a number of blank checks which the depositor fills out from time to time as he makes payments by check. The stub of the check book contains a record of the checks paid. It is of great importance that the check book be properly kept as it is a guide to one's bank account, and the depositor should be able at any time to tell from it exactly how much money he has in the bank at any time. All deposits must be entered on the stub of the check book and added to the balance in the bank as soon as the amount of the deposit is entered in the pass book by the receiving teller and each check must be subtracted as soon as given.

Many business houses keep no other bank account than the check book, the balance of cash in the bank being included in the balance on hand as shown by the cash book or the cash account.

Great care should be used in keeping the check book, as carelessness will make it easy for dishonest people to make alterations which might result seriously for the maker of the check.

If an error is made in writing a check, instead of erasing or altering the check, it is best to take a new blank and rewrite the check. If you are careful to do these things and at any time, when your cancelled checks are returned to you, you find any alteration the blame cannot be placed on you because the bank on which the check is drawn must stand the loss on an altered check which through its negligence it pays.

On the next page will be found one form and method of keeping the check book.

To E. H. PRESCOTT.

For Store and Lot.

Date, July 3, 1911.

$2,000.00.

No. 1.

$2,000.00. *New Hampton, N.H., July* 3, 1911

New Hampton College Bank.

Pay to ELIJAH H. PRESCOTT, *or bearer, Two Thousand* 00/100 *Dollars.*

No. 1. MESERVEY & THYNG.

To HIGGINS BROS.

For Merchandise.

Date, July 3, 1911

$4,000.00.

No. 2.

$4,000.00. *New Hampton, N.H., July* 3, 1911

New Hampton College Bank.

Pay to HIGGINS BROS: (*Manchester*) *or order, Four Thousand* 00/100 *Dollars.*

No. 2. MESERVEY & THYNG.

At the end of each month, or oftener if desired, the bank pass book should be left at the bank to be balanced. The bookkeeper of the bank does this by entering on the page opposite the deposits, the amounts of the checks that have been paid by the bank and bringing down the balance the depositor has in the bank at that time. When the pass book has been balanced, the depositor should carefully compare the check book with his pass book at the date of balancing. If they do not agreee, check off the deposits entered in the pass book with those in the check book; then, if the difference is not found, try your additions and subtractions in your check book. It sometimes happens that your pass book will show a larger balance than the check book on a certain day. This will probably mean that some checks given by you and subtracted in the check book have not yet been presented at the bank for payment, and the bank's balance will be this amount more than the check book's balance. If this is so, let the check book balance remain as it is, for that is really the amount you have in the bank that you can use.

After the checks have been paid by the bank, they are returned to the maker, marked paid or otherwise canceled. They should be kept by the depositor as receipts. Canceled checks are the best possible kind of receipts.

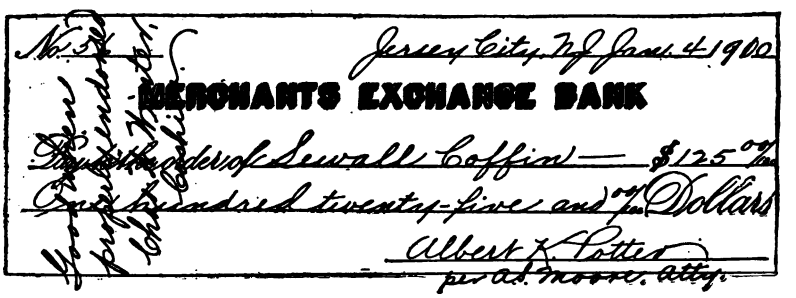
In drawing a check, it should be numbered so that you may be able to account for it in the check book. In drawing a check, the amount is written twice, once in words and once in figures. In case of any discrepancy between the words and figures, the words will be considered as the true amount of the check. No blank spaces should be left where the amount is given, so that the amount may not be changed by any dishonest person who may choose to alter it. If a check is lost, stolen, or changed, payment on it may be stopped by the drawer at any time before it is presented at the bank.

Checks are usually drawn to the order of a certain person, a firm, or a corporation so that they cannot be used except by the proper persons. A check so drawn must be indorsed by the person to whom it is made payable, who is called the payee, before it can be collected. If the payee desires to transfer the check to another person (James Smith, for example), he may do so either by writing on the back of it, "Pay to the order of James Smith" and signing his name, which is called an indorse-

ment in full, or he may simply sign his name on the back, which is called indorsement in blank and makes the check payable to the bearer.

A **Certified Check** is a check upon which the paying-teller or sometimes the cashier writes or stamps across the face of it "certified" or "good" or "good when properly indorsed" and signs his name. This guarantees to the holder that the amount named in the check is actually on deposit at that bank and is charged to the account of the drawer. The bank then becomes responsible to the holder for the payment of the certified check. Certified checks are often used when the financial standing of the drawer is not known to the payee.

The following illustrates the form of a certified check.


Jersey City, N.J. Jan. 4 1900
MERCHANTS EXCHANGE BANK
Pay to the order of Sewall Coffin — $125 00/100
One hundred twenty-five and 00/100 Dollars
Albert K. Potter
per A.D. Moore, Atty.

REVIEW QUESTIONS

1. What is a check?
2. What is a check used for?
3. What advantage does a person derive from having an account at the bank?
4. Describe the bank pass book. The deposit slip.
5. How must checks intended for deposit be indorsed?
6. Describe the check book. Write a check.
7. How would you prevent a person from changing the amount of a check?
8. How may a check be transferred to another person or firm?
9. What is a certified check?
10. What is a certified check used for?
11. Give the history of a check for $3675.65, payable to the order of Charles E. Coffin, from the time it leaves William F. Scott's check book till it reaches its final resting-place. (Including certification).
12. Mention all the persons through whose hands it passes.

13. What objections are there to making a check payable to "bearer"? (*a*) Payee's objection. (*b*) Bank's objection. (*c*) Drawer's objection.

14. Which party do you think would ever desire to have a check made payable to "bearer," and under what circumstances?

DRAFTS

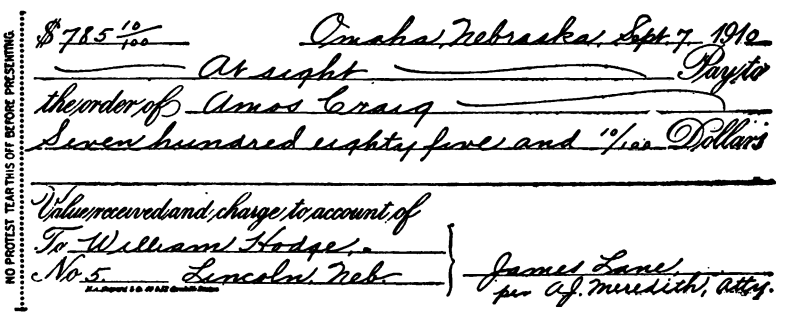
A Letter of Credit is a draft, in the form of a circular letter, addressed to several persons, or banks, as drawees, each one of whom is directed to pay a part or the whole amount of the draft to the payee, when presented for payment, until the whole is paid.

Such circular letters are very convenient for persons traveling in foreign countries.

The checks, drafts, etc., mentioned above are all merely modifications of the bill of exchange, and are subject to the same rules, regulations, and laws.

According to the negotiable instrument law of New York and many other states, a draft is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed determinable future time, a certain sum in money to order or to bearer.

A simpler definition and one which will serve ordinary purposes is given below the illustration.


NO PROTEST TEAR THIS OFF BEFORE PRESENTING
$785 10/100 Omaha, Nebraska, Sept. 7, 1912
At sight Pay to
the order of Amos Craig
Seven hundred eighty five and 10/100 Dollars
Value received and charge to account of
To Williams Hodge,
No. 5 Lincoln, Neb
James Lane
per A. J. Meredith, atty.

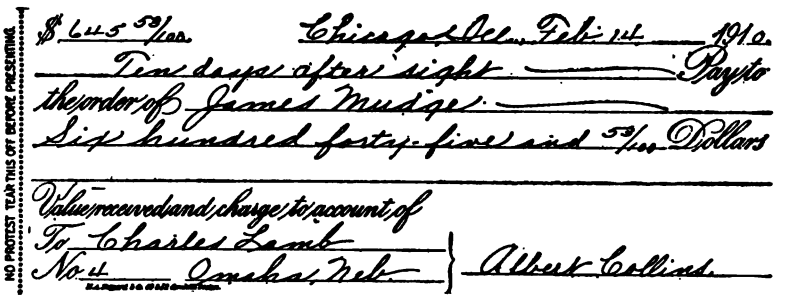
A **Draft** is a written order addressed by one person or firm to another person or firm, directing the payment of money to a third person or firm. There are three parties to every draft, viz., the Drawer, the Drawee, and the Payee.

The **Drawer** is the person who makes the order. He signs his name at the bottom of the draft, at the right hand.

The **Drawee** is the person to whom the order is addressed. His name is usually written at the bottom of the bill, at the left hand.

The **Payee** is the person to whom the order is payable. His name is written in the body of the order.

The following illustrates some of the forms of drafts.


NO PROTEST TEAR THIS OFF BEFORE PRESENTING

$ 645 53/100 Chicago, Ill. Feb. 14 1910.

Ten days after sight Pay to

the order of James Mudge

Six hundred forty-five and 53/100 Dollars

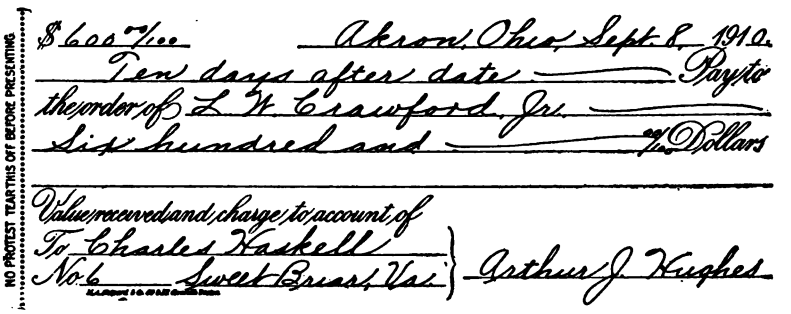
Value received and charge to account of

To Charles Lamb

No. 4 Omaha, Neb. } Albert Collins.

A draft is used to save the risk, inconvenience, and expense of sending actual money from place to place and also to effect the collection of money due the drawer from the drawee.

A two-party draft is a draft in which the drawer and payee


NO PROTEST TEAR THIS OFF BEFORE PRESENTING

$ 600 7/100 Akron, Ohio, Sept. 8 1910.

Ten days after date Pay to

the order of L. H. Crawford, Jr.

Six hundred and 7/100 Dollars

Value received and charge to account of

To Charles Haskell

No. 6 Sweet Briar, Va. } Arthur J. Hughes

are the same person. Such drafts are often used if the drawer simply desires to collect the money from the drawee. This he does by making the draft payable to his own order or to the order of his bank and placing it in the bank for collection.

Drafts are made payable at sight, or at a certain number of days after sight or after date.

A sight draft is one payable when it is presented for payment,

or in states where days of grace are allowed, after the customary days of grace.

A time draft is one payable at the expiration of a definite time "after sight" or "after date."

"After sight" means after the paper is presented to the drawee for acceptance.

"After date" means after the day on which the paper is dated.

It will be seen later that in foreign bills of exchange it makes considerable difference whether the time is after date or after sight; for paper may have to be sent half round the earth before it can be presented for acceptance.

A draft should be presented within a reasonable time to the drawee, for acceptance, in order to hold the indorsers responsible if the draft should be "dishonored."

A draft is said to be "dishonored" when acceptance or payment is refused.

The drawee accepts a draft by writing the words "Accepted," "seen," "presented," together with the date and his name across the face of the draft. This is usually done in red ink, so that the acceptance may be more readily noticed.

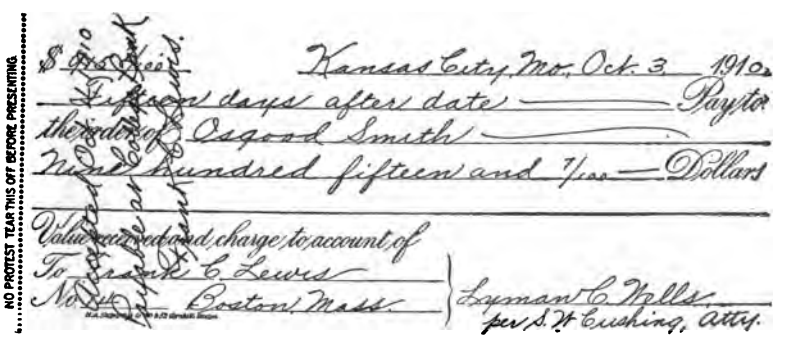
It is not necessary to accept, in this form, a sight draft because a sight draft is accepted when it is presented to and taken by the drawee.

An acceptance may be either general or conditional.

A **General Acceptance** is one in which the draft is accepted as it is written.

A **Conditional Acceptance** is an acceptance qualified by some condition of time, place, or circumstance.

The following is the best form of acceptance:


NO PROTEST TEAR THIS OFF BEFORE PRESENTING
$ 900.00
Kansas City, Mo. Oct. 3 1910
Fifteen days after date Pay to
the order of Osgood Smith
Nine hundred fifteen and 7/100 Dollars
Value received and charge to account of
To Frank C. Lewis
No. Boston, Mass.
Lyman C. Wells
per S. W. Cushing, Attys.

A draft is either negotiable or non-negotiable.

A negotiable draft is one made payable to the bearer or to the order of the payee.

A non-negotiable draft is one made payable to the payee only.

The holder of a draft is its legal owner.

A draft made payable to the bearer may be transferred to another holder simply by delivery, without any written order.

A draft made payable to the payee, or to his order, may be transferred by indorsement.

An **Indorsement** is a written order of the holder of business paper transferring it legally to another person.

(The subject of indorsements will be considered more fully under the head of promissory notes.)

The two kinds of indorsements most commonly used are — "in blank" and "in full."

Indorsement in Blank is made by the payee's simply writing his name across the back. Such an indorsement is construed to mean, "Pay to the bearer." The holder may restrict the indorsement to a single individual by writing "Pay to the order of" the person, above the blank indorsement.

Indorsement in Full is made by the payee's writing "Pay to the order of" the person, over his own name.

An **Indorsee** is the person to whom the paper is made payable by the indorser.

If a person wishes to transfer business paper and does not wish to become responsible for its payment, he may write above his name "Without recourse." This will convey the title to the indorsee, but will free the indorser from responsibility for payment.

As has already been stated, a draft should be presented for acceptance within a reasonable time, during business hours, to the drawee, or to his authorized agent, or the holder loses his remedy for non-payment on the previous indorsers.

A draft should be presented for payment the very day on which it becomes legally due, at the residence or place of business of the payee, in business hours.

If payment is refused, proper notice should be given to every person who is to be held responsible for the payment.

The right of notice may be "waived" by any indorser by writing "I waive notice," over the indorser's signature.

If a draft is dishonored, that is, if payment is refused, it should be at once protested before a notary public.

A **Protest** is a formal statement by a notary public declaring that the draft or note was presented for payment and payment was refused.

If the drawer does not wish to have the draft or note protested in case of non-payment, he pins to it a piece of paper with the words "No protest" upon it. (Sometimes blank drafts are printed with coupons attached to them bearing the words "No protest" and perforated so that they may be easily detached.) The object of this protest is to notify the bank that the drawer does not wish to have the draft protested if it is not paid, as he does not wish to incur the expense of the protest charges. These coupons must be torn off before the drafts are presented, for the drafts would lose their force if the drawee knew that they would not be protested.

The following are forms of notices of protest and protested paper.

PROMISSORY NOTE

BOSTON, MASS., March 11, 1910.

$200.00

Two months after date I promise to pay to the order of Walter Reid two hundred dollars at the Shawmut National Bank of Boston.

CHARLES F. COFFIN.

Value received.

No. 12. Due May 11.

PROTEST OF THE ABOVE NOTE

Commonwealth of Massachusetts

SUFFOLK, ss.

On the fourteenth day of May, in the year of our Lord one thousand nine hundred and ten, I, Francis Clark, Notary Public, duly admitted and sworn and practising in said County and Commonwealth, at the request of James Goodwin, Esq., Cashier of the Shawmut National Bank, went with the original note which is hereto annexed, the time therein limited and grace being fully elapsed, and demanded payment thereof at the Shawmut National Bank of Boston, to which demand was replied, "No funds."

The note remaining unpaid, I duly and officially notified the indorser thereof, Charles Paine, by a notice addressed to him at Newton, Massachusetts, by mail, postage prepaid, of said default in payment, requiring payment.

Wherefore, I, the said Notary, by request as aforesaid, have Protested and by these presents do solemnly protest against the maker of said promissory note, the indorser, and all others concerned therein, for exchange, reexchange,

and all Costs, Charges, Damages, and Interest Suffered and Sustained by reason or in consequence of the non-payment thereof.

In Testimony Whereof I have hereunto set my hand and affixed my Notarial Seal, the day and year first above written.

FRANCIS CLARK,
Notary Public.

Fees, $1.50.

A draft that is not accepted by the drawee may be accepted by any one who wishes to save the drawer's credit. This kind of acceptance is usually worded as follows: "Accepted, Boston, March 1, 1910, for the honor of the drawer. Charles Collins."

Bills of Exchange have the same commercial value that drafts have. They are of two kinds: domestic and foreign.

A **Domestic Bill of Exchange** is one, the drawer and drawee of which both live in the same state or nation.

A **Foreign Bill of Exchange** is one, the drawer and drawee of which live in different states or nations.

Foreign bills of exchange are often issued in sets of two or three and sent at different times, by different ships, to their destination. If one of the set is paid, the others, by reason of their peculiar wording, are void.

The following illustrate foreign bills of exchange in a set of three.

PHILADELPHIA, PA., October 1, 1910.

Exchange for £600.

At sight of this our first of exchange (second and third unpaid) pay to the order of Ralph Pearce six hundred pounds sterling, value received, and charge the same to the account of

OWEN CLARK.

To FRANK CHOATE,
London, England.

PHILADELPHIA, PA., October 1, 1910.

Exchange for £600.

At sight of this our second of exchange (first and third unpaid) pay to the order of Ralph Pearce six hundred pounds sterling, value received, and charge the same to the account of

OWEN CLARK.

To FRANK CHOATE,
London, England.

PHILADELPHIA, PA., October 1, 1910.

Exchange for £600.

At sight of this our third of exchange (first and second unpaid) pay to the

order of Ralph Pearce six hundred pounds sterling, value received, and charge the same to the account of

OWEN CLARK.

To FRANK CHOATE,
London, England.

A check is practically a sight draft drawn upon a bank but there is a difference between a check and a draft in the following particulars: (a) The form and wording are different. (b) A check is drawn upon bank or banker while a draft is drawn upon an individual or firm. (c) A check is used for paying money to a creditor while a draft is used as a means of collecting from a debtor. (d) A bank is bound to pay a check when properly drawn and presented provided it has funds belonging to the drawer while a person or firm is not compelled to accept or honor a draft if he does not choose to do so.

REVIEW QUESTIONS

1. What is a draft used for?
2. In a three-party draft which of the parties makes an express promise? When and how?
3. Which makes an implied promise, and what is it?
4. Suppose one of your creditors drew a sight draft on you; how can you convert it into an order upon your bank?
5. What is the difference between the use of a two-party and a three-party draft?
6. Explain fully how a person collects a debt by means of a draft.
7. Explain fully what is meant by "protest."
8. Name the parties to a draft and explain each.
9. Explain "acceptance."
10. How does a check differ from a draft?
11. Name the different ways in which a draft may be drawn in respect to time.
12. Explain each and state when each would be payable.

RULES FOR ENTERING DRAFTS

1. DRAWER'S ENTRIES.
   (*a*) When he draws a time or sight draft and gives it to the payee on account, debit the payee and credit the drawee.
   (*b*) When he draws a time draft and has it discounted, debit cash for the proceeds, and discount for the discount, and credit the drawee.
   (*c*) When he draws a two-party draft (time) payable to himself and accepted by the drawee, debit bills receivable and credit the drawee.
2. DRAWEE'S ENTRIES.
   (*a*) When he accepts a time draft drawn on himself on account, debit the drawer and credit bills payable.

(*b*) When he prepays a time draft drawn on himself, debit the drawer and credit discount for the discount and cash for the proceeds.

(*c*) When he pays in cash a sight draft on himself, debit the drawer and credit cash.

(*d*) When he pays his acceptance at maturity in cash, debit bills payable and credit cash.

(*e*) When he pays in cash his acceptance before maturity debit bills payable and credit cash and discount.

3. PAYEE'S ENTRIES.

(*a*) When he receives from the drawer on account a sight draft which the drawee pays in cash, debit cash and credit the drawer.

(*b*) When he receives from the drawer on account a time draft accepted by the drawee, debit bills receivable and credit the drawer.

(*c*) When he receives a time draft from the drawer on account which the drawee prepays in cash less the discount, debit cash and discount and credit the drawer.

(*d*) When he buys a time draft payable to his order instead of receiving it on account, paying cash less the discount, debit bills receivable and credit cash and discount.

The general rules for debits and credits apply to the above, viz., Debit the account that receives value and credit the account that supplies value.

WORK FOR THE STUDENT

Write each draft with the indorsements or acceptances in each case on a piece of ordinary paper and make your journal and cash book entries on a sheet of journal paper.

If the teacher thinks it advisable, he may require the students to make the journal and cash book entries of all parties to these drafts.

Unless otherwise specified, the student will make the entries that should appear on his own books.

May 1. Walter F. Reid, Boston, Mass., has agreed to accept your draft at ten days' sight for $300 in favor of John E. Martin. Write the draft and make the proper entry.

May 2. Rollins and Company, Milwaukee, Wis., has agreed to accept your sight draft for $900 in favor of Frank Kenyon. Write the draft and make the proper entry.

May 3. You drew a ten-day draft on C. A. Dobbins, Cape May City, N. J., and remitted it to Massey and Edwards, Ocean City, N. J., to apply on account $200. Write the draft and make the proper entry.

May 4. James Goodwin, Kansas City, Mo., has agreed to accept your draft for $485 at sight in favor of yourself. Write the draft and make the proper entry.

May 5. Discounted for Hatch and Perry their draft on Whittaker and Company, New York City, dated May 1st, and received credit for the proceeds. Write the draft and make the proper entry.

May 7. You owe your teacher $175 on account, and in payment you give him a draft on one of your classmates at 10 days for the amount. Write the draft and acceptance and make the proper entry.

May 9. Allen Corson, who is indebted to you, indorses over to you a draft drawn by him in his favor on B. T. Abbott, Ocean City, N.J., for $277.50, dated May 1st, at two months from date, accepted by Abbott. You receive the draft and give Corson credit for its face less the discount at 6 per cent for the unexpired time. Write the draft with indorsement and make the proper entry.

May 10. You have a draft of Charles Lamb and Company, Atlantic City, N. J., received May 1st, discounted at the School Bank and the net proceeds placed to your credit. Make the proper entry.

PROMISSORY NOTES

According to the negotiable instrument law of New York and many other states, a negotiable promissory note is an unconditional promise in writing, made by one person to another, signed by the maker, engaging to pay, on demand, or at a fixed or determinable time in the future, a sum certain in money to order or to bearer.

A simpler definition and one which will serve ordinary purposes is as follows:

A **Promissory Note** is a written promise to pay a specified sum of money to a specified person or order or bearer at a specified time.

A **Demand Note** is one payable when payment is demanded.

A **Time Note** is one payable at the end of a specified time.

Although the law does not require that any particular form or exact wording be used in making a promissory note, nevertheless there are a few essential facts that must be stated in every

promissory note, viz., By whom the note is made; in whose favor it is made; a distinct promise to pay; the amount; the date; and the time it is to run.

The following illustrates the form of a promissory note. For other forms see section XXVII.

$485 63/100 Boston, Mass. Sept. 12, 1910.

Two months after date I promise to pay to the order of Charles S Church

Four hundred and eighty-five 63/100 Dollars

Payable at First National Bank

Value received

No. 53 Due Nov 12, 1910. Andrew M Boswell

The words "value received" although usually inserted are not necessary because the law presumes that a note is given for value whether so expressed or not.

There are two parties to a promissory note, viz., the drawer or maker and the payee. The drawer or maker is the person who signs the note, or makes the promise, and thus becomes responsible for its payment. The payee is the person in whose favor the note is made or the person who receives the money from the drawer.

An indorser is the person who writes his name on the back of the note and by so doing either receives the money in place of the designated payee, or guarantees the payment of the note, or guarantees the genuineness of the drawer's signature.

Promissory notes are either negotiable or non-negotiable. The word negotiable means transferable. Negotiability is expressed by the words "or order" or "or bearer" or "the order of." A note made payable to "Charles Cohen" is payable only to Charles Cohen and cannot be transferred to any one else, while a note made payable to "Charles Cohen or order" or "the order of Charles Cohen" can be transferred to any person whom Cohen may designate.

The person to whom the transfer is made is called the indorsee and the one making the transfer is called the indorser. The act of indorsing makes the indorser liable for the payment of the note in case the maker fails to pay it.

There are five kinds of indorsements in general use, namely: blank, full, restrictive, conditional, and qualified.

An **Indorsement in Blank** is made by the holder of the note simply writing his name across the back of the note which is equivalent to writing "pay to bearer." A note thus indorsed is transferable by mere delivery and payable to any one who has legal possession of the note. In indorsing a note in blank, care should be taken to leave enough space above the signature for the indorsee to insert his own name or the name of another person if he so desires.

An **Indorsement in Full** gives the name of the indorsee together with the words "or order" and the signature of the indorser. A note indorsed in full cannot be transferred further without the indorsee's signature.

A **Restrictive Indorsement** limits or restricts the payment of the note to one person only and a note so indorsed cannot be transferred further.

A **Conditional Indorsement** is one that transfers the note upon certain conditions that must take place in order to make the transfer valid.

A **Qualified Indorsement** is one in which the indorser qualifies or limits his liability. This is generally done by writing the words "without recourse" before his signature. By this restrictive indorsement the indorser assumes the same responsibility as the ordinary indorser in blank as to the genuineness of the note and the indorser's signature and that, as far as he knows, the note will be paid at maturity, but if it should not be paid, the holder is not to look to him for payment. This form of indorsement is not often used as, under ordinary circumstances, indorsees refuse to receive notes so indorsed; but it is commonly used by administrators or assignees of estates who find it necessary to transfer paper held by the estate they represent, yet do not wish to make themselves personally liable for such paper.

A lead-pencil signature to a note or any negotiable paper is legal but it is much better for obvious reasons to sign in ink.

In indorsing negotiable paper care should be taken to sign your name exactly as it is written in the body of the instrument or by a previous indorser. If your full name is given, sign your

full name; if the initials of your Christian name are given, sign your initials. If your name is spelled incorrectly, follow any inaccuracy in spelling. In the latter case it is well to write your name correctly after the incorrect signature, as follows:

Arthur J. Merredeth,
per Arthur J. Meredith.

The following note will be used to show the different kinds of indorsement.

SALEM, MASS., July 13, 1909.

$250.00

Thirty days after date I promise to pay to the order of .....
..... James Anderson .....
Two hundred fifty and 00/100.....Dollars.
Payable at Merchants' National Bank.
Value received.

FRANK G. OWENS.

No. 1 Due.....

INDORSEMENTS

Blank:	James Anderson.
In full:	Pay to the order of Scott Hand, James Anderson.
Restrictive:	Pay to Scott Hand only, James Anderson.
Conditional:	Pay to Scott Hand or order, unless I notify you to the contrary, before maturity. James Anderson.
Qualified:	Pay to W. Scott Hand, or order, without recourse. James Anderson.

Notes are made payable on demand and a specified time after date. Demand for payment on a note "on demand" should be made within a reasonable time. Notes on time may be made for any number of days or months after date, as thirty days after date, sixty days after date, two months after date, one month after date, etc. In computing time the exact time mentioned must be taken. If the note is given for thirty days after date we must count just thirty days forward from the date of the

note, not one month; if it calls for payment two months after date we must count two months forward, not sixty days. For example a note given for thirty days after date and dated July 1st would fall due just thirty days from July 1st or July 31st. If the note were dated July 1st and were payable one month after date it would fall due on August 1st.

Interest is due on demand notes from the date of demand until the date of payment. Interest is due on time notes from maturity until the date of payment. Interest is due on all notes containing the words "with interest" from the date of the note to the date of payment. If the rate of interest is not mentioned in the note, it bears the legal rate of the state in which it is made; if made in one state and payable in another it bears the legal rate of the state where it is payable.

An **Individual Note** is a note that one person agrees to pay.

A **Joint Note** is a note which two or more persons sign and promise to pay together.

A **Joint and Several Note** is a note which two or more persons sign and promise to pay either jointly (together) or severally (separately).

Firm notes although not generally containing the words "jointly" are considered joint notes. The wording of the note determines the kind of note it is, whether individual, joint, or joint and several.

Demand for payment should be made at maturity, by the person holding the note of the maker or his authorized agent. It should be made at the place of business or residence of the maker, or if a place is designated in the note, at that place.

A note is said to be dishonored when it is not paid at maturity and the holder can then look to the indorsers for the payment. The first indorser is the most liable after the indorser, as the other indorsers can look to him for payment. It is possible to avoid indorsing a note by having the maker draw it in his own favor and indorse it himself.

Upon failure to pay a note after proper demand has been made the note is protested by giving it to a notary public who makes an official demand for its payment. Payment then being refused, he notifies the indorsers of the fact that payment has been refused and protest has been made and that they will be

looked to for its payment and all legal costs that have been incurred. This notice to the indorsers should be given the date the note is dishonored or the day following, and its object is to protect the holder and perfect for him the additional security of all the indorsers for its payment, as failure to notify the indorsers releases them from their conditional contract as such.

The maker of a note may renew the note after it falls due, with the consent of the holder, by giving a new note for the amount of the old note with interest added for the time the new note is to run, or by giving a new note for the amount of the original note and paying the interest in cash. All the indorsers of the original note are released when the note is renewed. When anything is paid on a note, either part of the principal or the interest, the amount paid should be plainly indorsed on the back of the note.

PROTESTED PROMISSORY NOTE

ITHACA, N. Y., April 1, 1910.

Four months after date I promise to pay
to the order of.....Frank Howard.....
Six Hundred.....Dollars
At the First National Bank, Ithaca, N. Y.
Value received.
Due August 1st. DAVID SNOW.

NOTICE OF DISHONOR

ITHACA, N. Y., August 1, 1910.

SIR:

Take Notice that a note made by David Snow for $600 dated April 1, 1910, payable four months after date at the First National Bank, of Ithaca, and indorsed by you, was this day Protested for non-payment and that the holders look to you for the payment thereof, payment having been demanded and refused.

Yours respectfully,
RICHARD BOOTH,
Notary Public.

To FRANK HOWARD.

The advantages of obtaining a note from a debtor are:

(a) He is more likely to pay the amount at the specified time in order to prevent the note from being protested and thus injuring his credit.

(b) The amount of the claim is fixed beyond any chance of dispute.

(c) The note may be used as a means of raising ready money, by having it discounted.

(d) A note is *prima facie* evidence of a debt, and if a lawsuit is necessary to collect the same, the note itself is the only evidence that need be offered.

A **Chattel Note** is one in which a promise is made to pay a certain sum of money, in certain commodities, at certain prices, under specified conditions. The amount must be stated in money, and the payer may choose whether he will deliver the commodities, or pay the money. The payee has no choice.

Collateral Notes are notes given for money borrowed and are secured by valuable collateral such as government bonds or stocks or bonds of some reliable railroad or other corporation. The amount of security is greater than the sum borrowed so as to make the loan perfectly secure. The security given with the note is kept with it and is not the property of the one who loaned the money and must not be used by him except in default of payment. These securities are pledged to make the loan secure and are to be returned as soon as the loan is repaid.

Following is the form of a collateral note.

COLLATERAL NOTE

NEW YORK, N. Y., October 3, 1910.

$5000.00

Sixty days after date we promise to pay to the order of the Manhattan National Bank five Thousand .....Dollars, without defalcation, for value received, having deposited herewith $6000 U. S. 4's (Nos. 14,321, 27,405, 65,320, 765, 32,173, and 1254) which we authorize the holder of this Note, upon the non-performance of this promise at maturity, to sell either at the Brokers' Board, or at public or private sale, without demanding payment of this Note or the debt due thereon, and without further notice, and apply proceeds, or as much thereof as may be necessary, to the payment of this Note and all necessary expenses and charges, holding us responsible for any deficiency.

Payable at the Manhattan National Bank.

A. M. OSGOOD & COMPANY.

Due December 2.

Following is a form of a judgment note.

JUDGMENT NOTE

$3456\frac{55}{100}$.

PHILADELPHIA, PA., October 4, 1910.

Six months after date I promise to pay Bates Torrey, or order.....

Three thousand four hundred fifty-six and $\frac{44}{100}$..... Dollars, without defalcation, for value received.

And I do hereby authorise any Attorney of any Court of Record in Pennsylvania, or elsewhere, to confess judgment therefor and release errors, and I hereby also waive all stay of execution from and after the maturity of the above Note.

Witness my hand and seal the day and date above written.

Witness Present REUBEN EDWARDS (SEAL)
CHARLES SMITH.

A **Judgment Note** differs from a common promissory note in having a seal appended with a power of attorney to confess judgment upon the non-payment of the note. The maker, by this power of attorney, authorizes the payee to have judgment entered, which is a lien against his lands or estate, and authorizes the issuing of an execution without resort to a suit by the ordinary course of law. A lien upon real estate means a right to sell it to satisfy some claimant, no matter into whose hands it may come.

An **Accommodation Note** is a note in which one person lends his name to another without consideration to enable him to obtain money on it. It is usually written in favor of the person lending his name and is indorsed by him. If it is presented to the bank for discount, which is usually the case, it should be made payable at that bank.

Following is a form of an accommodation note.

BOSTON, MASS., July 14, 191–.

$1500.00

Sixty days after date I promise to pay Norman I. White, or order, at the Shawmut National Bank, One thousand five hundred dollars, without defalcation, value received.

ANDREW J. JOHNSON.

Credit the Drawer
NORMAN I. WHITE.

A **Mortgage Note** is one the payment of which is secured by a mortgage on real or personal property.

A **Mortgage** is a *deed* conveying the title of the property to the *mortgagee;* but with a *proviso* that the deed shall be *void* if certain conditions are complied with; otherwise, to be valid.

An **Interest-Bearing Note** is one in which it is distinctly stated that it is payable with interest.

Interest can be collected on a demand note after payment is demanded.

Interest on a time note can be collected, if unpaid after the time expires, whether demand has been made or not.

A **Coupon Note** is a *time* note with interest payable at certain periods, having small notes attached for the interest of the several periods, to be removed and delivered to the payee as they are paid.

When no coupons are attached to a note, payments of interest and partial payments of principal should be indorsed on the back of the note by the payer, giving the date and the amount.

What has been said above in respect to indorsers, demand of payment, notice, liability of parties, etc., of bills of exchange is substantially true of promissory notes.

It is simply necessary to remember that the maker of a note corresponds to the acceptor of a draft, and the payee of a note to the drawer of a draft.

Days of Grace are three days allowed in some states for the payment of commercial paper after it becomes nominally due. Days of grace are abolished in most of the states now.

When a note or bill, entitled to days of grace, becomes due on *Sunday*, or on a legal *holiday*, it is payable the day *before*.

Commercial paper *not* entitled to days of grace is payable the day *after*.

When a legal holiday comes on Saturday, paper due on Sunday, entitled to days of grace, must be paid *Friday;* paper *not* so entitled may be paid Monday.

STATUTE OF LIMITATIONS

The statute of limitations does not extinguish a debt, but simply limits the time in which the holder may bring an action for payment. In most states the limit is *six years*. At the expiration of that time a claim is said to become "outlawed." Residence of the payer out of the state is not reckoned in making up the limit of time. Payment of interest, or a part of the principal, renews a note from the time of its indorsement.

In some states a witnessed note, and judgments of the courts, do not become outlawed until the expiration of *twenty* years.

A note based upon a fraudulent or illegal transaction, or one issued without a good or valuable consideration, is *void* in the hands of the original *holder*, but *good* in the hands of an *innocent* third party.

A note signed by a *minor* is *voidable*, on the plea of *infancy*. It is not *void;* but the maker may disavow it and thus annul it; or he may confirm the contract by a new note after he becomes of age; then it becomes a legal claim without any further consideration.

ADDITIONAL FORMS OF COMMERCIAL PAPER

BILL OF EXCHANGE ON LONDON

£500. BOSTON, MASS., January 20, 19—.

Sixty days after sight of this our first bill of exchange, of this tenor and date (second and third unpaid), pay to the order of Samuel Walker and Sons, Five Hundred Pounds sterling, value received, and charge the same to the account of

DRAPER & PRICE.

Accepted Feb. 1, 19—. ROSWELL, BRUCE & CO.

To ROSWELL, BRUCE & Co.,
468 Blank Street, London.

Formerly bills of exchange were written in sets of three, only one of which was to be paid. This precaution was then necessary on account of the uncertainty of communication; but the custom is now becoming obsolete. However, we give the common form.

A foreign bill of exchange is always drawn payable in the currency of the country upon which it is drawn. The above bill being drawn on *London* is made payable in pounds sterling, — the currency of *England*.

It is dated January 20. But it does not reach London till February 1 — twelve days after it was drawn. As it was drawn payable sixty days after *sight*, it will become due sixty days after February 1, 19—.

NOTE — CHATTEL. — NON-NEGOTIABLE.

SALEM, MASS., December 24, 18—.

Value received, six months from date I promise to pay George E. Smith Seventy-nine and $\frac{14}{100}$ Dollars payment to be made in number one oats, delivered at his store, at forty-five cents per bushel.

$79.14. MARK S. CALDERWOOD.

COLLATERAL NOTE

CLEVELAND, OHIO, June 21, 19—.

Value received, ninety days after date, I promise to pay the Cleveland Savings Bank, or order $3000
Three Thousand ..... Dollars,
and as security for the payment of the same I herewith deposit a certificate of fifty shares of New York Central Railroad stock, with authority to sell the same at public or private sale, provided that this note is not paid at maturity.

JOSEPH B. KNIGHT.

DUE-BILL. — CASH

ATLANTA, GEORGIA, October 2, 19—.

Due John F. Smith Twenty-five ..... Dollars,
to be paid on demand.

ASA D. DANFORTH.

DUE-BILL. — MERCHANDISE

$15.75 NEW YORK, N. Y., July 6, 19—.

Due John B. Bronson Fifteen and $\frac{75}{100}$ ..... Dollars,
to be paid in merchandise from my store, on demand.

SOLOMON WENTWORTH.

INDORSEMENTS.

"Indorsement in blank." JOHN M. SMITH.	"Indorsement in full." Pay to the order of JOHN BROWN. JOHN M. SMITH.	"Restricted indorsement." Pay to the order of JOHN BROWN without recourse. JOHN M. SMITH.	"Waiving demand and notice." Pay to the order of JOHN BROWN, waiving demand and notice. JOHN M. SMITH.

In the above indorsements, John M. Smith is the indorser, John Brown the indorsee.

Partial payments of commercial paper should also be indorsed on the back, in the hand-writing of the payer, and signed by the holder.

Receipt for Money on Account

Albany, N. Y., March 9, 19—.

Received of Horace French.....$39.28
Thirty-nine and.....$\frac{28}{100}$ Dollars, to apply on account.

James F. Taylor.

Receipt in Full

Belfast, Me., April 17, 19—.

Received of J. W. Churchill.....$87.12
Eighty-seven.....$\frac{12}{100}$ Dollars, in full of all claims and demands to date.

Peter Warner.

Receipt for Money on Note

Pueblo, Colo., June 8, 19—.

Received of Robert Boyle.....$100.00
One Hundred.....Dollars, which amount had been indorsed on his note of April 11, 1900.

Lyman Lamprey.

Bill of Exchange on Boston

5000\frac{00}{100}$. London, Eng., January 20, 19—.

Sixty days after date of this our first bill of exchange (second and third not to be paid) pay to the order of C. H. White and Company Five Thousand Dollars, value received, and charge to the account of

Roswell, Bruce, & Co.

Accepted Feb. 1. Draper & Price.

To Draper & Price,
967 Spring Street,
Boston, Mass.

As this bill is drawn on parties in Boston, it is made payable in the currency of the United States. As it is made payable sixty days after *date*, it will become due twelve days sooner than the previous bill, although both are of the same date.

Time Draft

Chicago, Ill., August 8, 19—.

Thirty days after date pay to the order of Jordan, Marsh and Company, $150, value received, and charge to the account of

Wilson & Holt.

To Davis & Willoughby,
763 Tyler Street,
Boston, Mass

PERSONAL CHECK

LAWRENCE, MASS., August 14, 19—. No. 496.

Traders National Bank, pay to the order of
Nathan Harper $271.14
Two Hundred Seventy-one ..... $\frac{14}{100}$ Dollars.

JOHN S. PAYWELL.

CASHIER'S DRAFT

Commercial College Bank

CHICAGO, ILL., August 21, 1910. No. 24,918.

Pay to the order of Peter Taylor $5000
Five Thousand ..... Dollars.

SOLON MOORE, *Cashier.*

To NINTH NATIONAL BANK,
New Orleans.

CERTIFIED CHECK

DAVID MORSE, *Cashier.*
Certified

WHEELING, W. VA., May 9, 19—. No. 1724

Business College Bank, Pay to the order of John Gould $421.14
Four Hundred Twenty-one ..... $\frac{14}{100}$ Dollars.

SELWIN POOR.

CERTIFICATE OF DEPOSIT

SAN FRANCISCO, CAL., May 14, 19—. No. 21,491

Gold-dust National Bank. This is to certify that Peter Wilson has deposited in this bank
One Hundred Fifty ..... $\frac{57}{100}$ Dollars,
payable to the order of Nathan Wells, on the presentation of this certificate properly indorsed.

$150.57

AMOS WEED, *Cashier.*

NOTE. — TIME. — INDIVIDUAL

MANCHESTER, N. H., March 17, 19—.

Value received, I promise to pay
Ira A. Andrews or order $76.98
Seventy-six and ..... $\frac{98}{100}$ Dollars,
thirty days after date.

MOSES SANGER.

NOTE. — DEMAND. — JOINT

BOSTON, April 2, 19—.

On demand we jointly promise to pay
Oliver B. Adams, or order $63.43
Sixty-three and ..... $\frac{43}{100}$ Dollars
Value received.

M. N. PETERS.
DAYTON RICHARDS.

NOTE. — JOINT AND SEVERAL. — TIME. — INTEREST

$4000.00 PROVIDENCE, R. I., February 2, 19—.

Three years from date we, jointly and severally, promise to pay Lyman Johnson, or order
Four Thousand ..... Dollars
Value received, with interest annually, at 5 per cent.

JOSEPH TRUE.
MOSES MILLER.

EXERCISES IN WRITING PROMISSORY NOTES

1. Write a promissory note, with yourself as maker, in favor of Oliver Titcomb, for $475, payable in thirty days.

2. Clark and True, Middletown, Conn., gave John P. Wyman on the 1st of May, 1910, a promissory note for $954.65, payable at the Merchants National Bank in three months with interest at 6 per cent. Write the note. Write the proper indorsement in blank for this note. Write an indorsement in full, transferring the note to Avery and Churchill.

3. Write a demand note in favor of your teacher, with yourself as maker, for $300.

4. Write a joint note, with William Burrows and Amos Craig, Minneapolis, as makers, in favor of Charles Roche, dated March 11, 1910, payable sixty days after date.

5. Write a joint and several note, using the same date and parties as in the note above.

6. Write an accommodation note, dated May 1, 1910, payable sixty days after date, payable at Farmers' National Bank.

7. You have on hand A. J. Connolley's note for $1150, dated this day at two months. Have the note discounted at the College Bank at 6 per cent. What is the amount of discount? What are the net proceeds? Write the note.

8. You receive a note from C. A. Daniels, Lowell, Mass., for $5000, dated March 31, 1910, at sixty days. Write the note.

9. Transfer the above note to J. A. Michaels. Write the various kinds of indorsements on this note.

10. You have outstanding a note for $1200 in favor of Nelson C. Cardwell, dated June 15, 1910, with interest at 4 per cent. Mr. Cardwell needs the money and agrees to allow you 5 per cent

discount if you will pay the note to-day which you do. Write the note. What is the amount you pay Cardwell this day?

BANK DRAFTS

A **Bank Draft** is an order drawn by the cashier of one bank upon another bank in some other city or town. Bank drafts are usually drawn upon banks in large cities, which cities are the money centers of the world.

Bank drafts are the principal means employed by merchants in making remittances from one part of the country to the other.

Banks located in the smaller cities and towns of the country keep money deposited in the banks of large cities, such as New York, Chicago, Philadelphia, Boston, St. Louis, Baltimore, New Orleans, and San Francisco. The local banks draw upon their accounts in these city banks and sell their drafts to their customers, making a small profit on the charge for exchange. These drafts pass as money anywhere in the section of the country of which the city upon which they are drawn is the financial center.

The following illustrates the form of a bank draft.

No. 147.

FIRST NATIONAL BANK.

Springfield, Mass., *April 18,* 19 *11*

Pay to the order of ——— *Forber and Wallace* ——— $*6643*$^{00}_{100}$

——— *Six thousand five hundred forty-three* $^{00}_{100}$ ——— Dollars.

To the CHEMICAL NATIONAL BANK, NEW YORK

Charles M. Gage.
Cashier.

Most of the bank drafts are drawn upon New York banks because that city has become the recognized financial center of the United States.

Suppose a man, James Martin, for example, who lives in Salem, Mass., a depositor in the Merchants National Bank, wishes to obtain a bank draft for $2500 to remit to a creditor in Hartford, Conn. He sends to his bank at Salem his check for $2500 plus the charge for "exchange," writing in place of the

payee's name the words "N. Y. Draft $2500 and exchange." The bank will then give him a draft on a New York bank for $2500 in favor of himself, which he in turn will indorse to his Hartford creditor and send to him by mail.

The following illustrates the form of the above bank draft.

No. 187

MERCHANTS NATIONAL BANK.

Salem, Mass., April 20, 19 11

Pay to the order of ——— James Martin ——— $2500 00/100

——— Two thousand five hundred 00/100 ——— Dollars.

To the CHEMICAL NATIONAL BANK. NEW YORK

Josiah A. Gifford. Cashier.

A **Cashier's Check** is an order on a bank drawn by its own cashier. It differs from a bank draft in that it is drawn by its own cashier upon its own bank instead of upon some other bank and it differs from an ordinary check in that it is drawn by its cashier instead of by a depositor.

The following illustrates the form of a cashier's check.

CASHIER'S CHECK OR DRAFT

Commercial Bank

$675.00 No. 1564

TRENTON, N. J., November 18, 1910.

Pay to the order of ..... Elias Hodge .....

Six Hundred Seventy Five ..... 00/100 Dollars.

To the Cashier of the College Bank,
Newark, N. J.

JAMES CALVIN, *Cashier.*

The cashier's check is the check of the bank and is used by the bank to make payments just as a depositor will use his individual check to make his payments with. It avoids handling cash. It is also used by depositors to be used like a bank draft for remittance to nearby places. It insures to the holder of the check that there is money in the bank to that amount.

A **Certificate of Deposit** is a receipt given by a banking institution for money deposited. It is given instead of a pass-

book entry and is negotiable by the payee and redeemable upon presentation. Checks cannot be drawn against a deposit of this kind.

The following illustrates the form of a certificate of deposit.

CERTIFICATE OF DEPOSIT

Commercial Bank

$400.00 No. 6832

TRENTON, N. J., November 18, 1910.

.....William Warren.....has deposited in this Bank .....

Four Hundred..... Dollars,

payable to the order of himself on return of this certificate properly indorsed.

Entered

C. E. PIKE, *Teller.* JAMES CALVIN, *Cashier.*

BILLS AND INVOICES

A **Bill** is an itemized account of goods bought or sold or work performed.

It should contain the place and date of sale, the names of the buyer and seller, the terms of sale, the distinguishing marks and numbers, if any, placed on the goods, the quantity, name, and price of each item, the entire amount of the separate items, all extra charges, and any discounts allowed.

Strictly speaking, such an itemized account as is mentioned above is called by the buyer an invoice and by the seller a bill. It has, however, become quite customary for both the buyer and seller to call it an invoice. The term "invoice," however, is never applied to a list of expense items or a statement of services rendered. Thus we say an invoice or bill of merchandise, a lawyer's bill, a freight bill, etc.

In writing invoices, only one side of the paper should be used as the purchaser may wish to paste the invoice in the Invoice Book, which process we have already described.

When goods are received they should be carefully compared with the invoice or bill, to see whether any mistakes have been made. When they are found to be correct a proper record of the transaction should be made either in the Invoice Book or the Journal.

The following forms illustrate a bill of merchandise bought on account and a receipted bill.

LYNN, MASS., March 12, 1910.

Mr. FRANK A. JONES,

To ARTHUR J. MEREDITH, *Dr.*

Terms, on account. SALEM, MASS.

2	lbs. coffee	@ .35		70		
1	quart Heinz malt vinegar	@ .25		25		
10	lbs. sugar	@ .06		60		
5	lbs butter	@ .39	1	95		
2	lbs. cheese	@ .18		36		
1	doz. eggs	@ .40		40	$ 4	26

PEABODY, MASS., April 2, 1910.

Mr. MATTHEW W. CLARK,

To CHARLES B. WALLACE *Dr.*

Terms, Cash PEABODY, MASS.

3	lbs. coffee	@ .35	1	05		
1	pt. Heinz vinegar	@ .25		13		
8	lbs. sugar	@ .06		48		
3	lbs. butter	@ 40	1	50		
1	doz. fresh eggs	@ .35		35	3	51

Received payment,
CHARLES B. WALLACE
per M.

A **Receipt** is a written acknowledgment of money or goods received. It is given by the person receiving money or goods to the person from whom such money or goods is received. A receipt should always be given for money received or deposited. It should state whether given "on account" or "in full." It is advisable to state for what purpose it is given as, for example, "in full for salary" or "on account of grocery bill of July 1."

A receipt "in full" is equivalent to one reading "in full to date."

The law does not admit that the possession of a receipt is absolute proof of having made a payment, but it is the strongest evidence we can have, so a receipt should be obtained for each

payment made and should be carefully filed away for future reference.

The following illustrate a few kinds of receipts.

RECEIPTS

$345\frac{00}{100}$ CHICAGO, ILL., March 4, 19—.

Received of Allison B. Peck.....
Three hundred forty-five..... $\frac{00}{100}$ Dollars
On account.

JAMES F. HOGAN.

LOWELL, MASS., March 4, 1910.

Received of L. A. Ela & Co.
Forty barrels of flour to be sold on his account.

C. A. HUTCHINS.

$25.\frac{00}{100}$ NEWBURYPORT, MASS., March 4, 1910.

Received of Charles Chase
Twenty-five and..... $\frac{00}{100}$ Dollars
to apply on his note of February 4th and indorsed on same.

FRANK OSLER.

A **Due Bill** is a written acknowledgment of a debt and may be for money or for goods. When given for money it differs but slightly from a promissory note.

The following illustrate some forms of due bills.

$125.00 BOSTON, MASS., July 1, 1909.

Due Charles Paine or order
One Hundred Twenty-five ..... $\frac{00}{100}$ Dollars.

FRANK I. JORDAN.

$68.00 BOSTON, MASS., July 1, 1909.

Due George Edward Reed,
Sixty-eight ..... $\frac{00}{100}$ Dollars.
in goods from my store.

SAMUEL RUSSELL.

$100.00 BOSTON, MASS., July 1, 1909.

Borrowed and received of William E. Massey
One Hundred ..... $\frac{00}{100}$ Dollars,
which I promise to pay on demand with interest.

WILLIAM BRUNYATE.

BANK DISCOUNT

A part of the business of national banks is discounting notes and drafts made and indorsed by responsible persons. The banks keep simple interest for the remaining time the note or draft has to run on the amount due at maturity and place the proceeds (the difference between the face amount of the note or draft and the discount or simple interest just found) to the credit of the person having the note or draft discounted. The object of having the note or draft discounted is to obtain the use of the money at once instead of waiting until the date of maturity of the note or draft.

To find the time of discount, first find the time that the note or draft falls due, then reckon from the date it is discounted to the date it should fall due, in months and days. Suppose we have a note dated June 1st at two months, which was discounted July 14th, and we wish to find the time of discount. The note will fall due two months from June 1st, or August 1st. The time from July 14th to August 1st is 17 days. We should then find the discount, by simple interest at 6 per cent, on the face of the note for 17 days. If no rate of interest or discount is stated, it is understood to be 6 per cent. (Consult any good commercial arithmetic for the various methods used in determining interest and discount.)

POSTAL MONEY ORDERS

A **Postal Money Order** is an order drawn by one postmaster on another, directing the payment of a sum of money to a person named by the remitter, in accordance with a letter of advice of the same number and date sent by one postmaster to the other.

Money orders are of great convenience to the majority of people for sending small sums of money to people in other places, especially when the money is to be sent to or from a place where there are no banks or where the sender has no bank account.

Money order offices are authorized to issue and pay money orders for sums not exceeding $100 each. International money orders can be obtained only at international money-order post-offices.

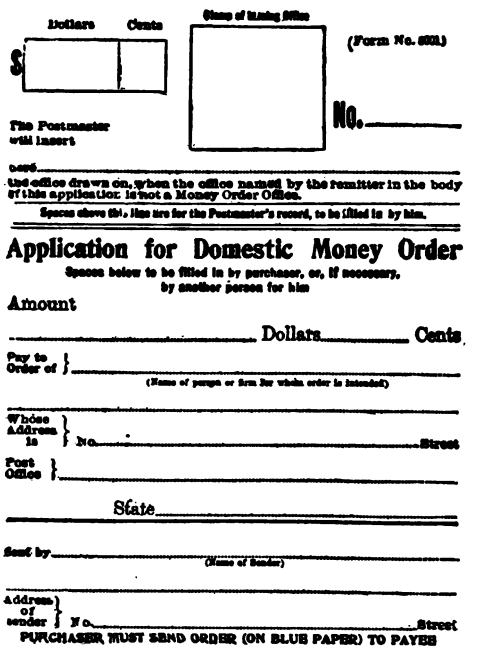
Money-orders are issued for cash only. Checks, drafts, or promissory notes will not be received in place of cash.

When the payee calls for the money he must sign the receipt on the face of the order and he may be required to tell the name and address of the sender.

In order to obtain a money order it is necessary to fill out an application blank provided for the purpose at the post-office.

A certain fee is charged the person applying for a money order by the post-office authorities for each money order issued. The fee varies with the amount of money applied for. The fees are printed upon the back of the application blank.

On the following pages are given the forms of application blanks for both a postal and an international money order.



Dollars Cents

Stamp of Issuing Office

(Form No. 6031)

$

No.

The Postmaster will insert

here

the office drawn on, when the office named by the remitter in the body of this application is not a Money Order Office.

Spaces above this line are for the Postmaster's record, to be filled in by him.

Application for Domestic Money Order

Spaces below to be filled in by purchaser, or, if necessary, by another person for him

Amount

_____ Dollars _____ Cents

Pay to Order of } _____

(Name of person or firm for whom order is intended)

Whose Address is } No. _____ Street

Post Office } _____

State _____

Sent by _____

(Name of Sender)

Address of sender } No. _____ Street

PURCHASER MUST SEND ORDER (ON BLUE PAPER) TO PAYEE

EXPRESS MONEY ORDERS

The American and United States express companies issue money orders payable in Europe as well as those payable in the United States and Canada. The other express companies issue money orders which are good in the United States and Canada.

Money by Telegraph

Money may also be sent by telegraph. This method is used when the saving of time is the principal object. It is more expensive than the other methods of sending money. Money may be transmitted by telegraph from nearly every telegraph office, excepting the telegraph offices in railroad stations. The

Reverse Side of Application

Fees for Money Orders drawn on Domestic Form

Payable in the United States (which includes Hawaii and Porto Rico) and its possessions comprising the Canal Zone (Isthmus of Panama), Guam, the Philippines and Tutuila, Samoa; also for Orders payable in Bermuda, British Guiana, British Honduras, Canada, Cuba, Newfoundland, the United States Postal Agency at Shanghai (China), the Bahama Islands, and certain other Islands in the West Indies mentioned in Register of Money Order Post Offices.

For Orders	From $ 0.01 to $ 2.50	..... 3 cents.
	From $ 2.51 to $ 5.00	..... 5 cents.
	From $ 5.01 to $ 10.00	..... 8 cents.
	From $10.01 to $ 20.00	.....10 cents.
	From $20.01 to $ 30.00	.....12 cents.
	From $30.01 to $ 40.00	.....15 cents.
	From $40.01 to $ 50.00	.....18 cents.
	From $50.01 to $ 60.00	.....20 cents.
	From $60.01 to $ 75.00	.....25 cents.
	From $75.01 to $100.00	.....30 cents.

Memoranda of Issuing Postmaster:

Note.—The maximum amount for which a single Money Order may be issued is $100. When a larger sum is to be sent additional Orders must be obtained. Any number of Orders may be drawn on any Money Order office; but, if Orders are drawn in excess of $100 on any one day upon an office of the 6th class, notice of the fact by letter (or Form 6557) is to be promptly sent the Department by the issuing Postmaster so that provision may be made for payment.

Applications must be preserved at the office of issue for four years from date of issue.

(Revised June, 1908.)

Western Union Telegraph Company will accept money for transfer by telegraph and cable to all countries in Europe and to Alaska, Cuba, and the Philippine Islands.

Registered Letters

Money or valuables may also be sent by registered mail through the post-office. Any mailable letter or package can be registered at any post-office in the United States. Besides the address the letter or package to be sent should have the return

(No. 6701)

IT IS DESIRED THAT THIS APPLICATION BE FILLED IN WITH PEN AND INK

Stamp of Issuing Office

APPLICATION

FOR

International Money Order

	U. S. MONEY	FOREIGN MONEY
No. _____	*Amount, $* _____	_____
No. _____	*Amount, $* _____	_____
No. _____	*Amount, $* _____	_____

Payable in _____

(*Postmaster will write on this line "Great Britain" or "Italy," etc., as case may be.*)

(Space above this black line is for the Postmaster's record, to be filled in by him.)

(Spaces below this black line are to be filled in by the applicant, or by some person for him not connected with the post office. See Sec. 1051, P. L. and R., 1908.)

For the sum of _____

and _____

Payable to _____

(*Write on this line name of person who is to receive the money.*)

Residence or place of business of the person to whom the money is to be paid.

Town (or City) of _____

No. _____, _____ Street

County, Canton, Kreis or Department _____

Province, _____

Country, _____

Sent by _____

(*Write on this line the name of the Remitter.*)

Residence or place of business of person by whom the money is sent.

No. _____, _____ Street

Town or City, _____

State of _____

(*See other side.*)

Reverse Side of Application

Fees for International Money Orders

DOMESTIC RATES

Table No. 1

WHEN PAYABLE IN BRITISH GUIANA, CANADA, CUBA, NEWFOUNDLAND, THE PHILIPPINE ISLANDS AND THE FOLLOWING ISLANDS IN THE WEST INDIES: ANTIGUA, BARBADOS, DOMINICA, GRENADA, JAMAICA, MONTSERRAT, NEVIS, ST. KITTS, ST. LUCIA, ST. VINCENT, TORTOLA, (VIRGIN ISLANDS) AND VIRGIN GORDA (VIRGIN ISLANDS).

The Domestic form must be used for these Orders.

For Order not exceeding	
$2.50	2 cents
Over $2.50 to $5	5 cents
" $5 to $10	8 cents
" $10 to $20	10 cents
" $20 to $30	12 cents
" $30 to $40	15 cents
" $40 to $50	18 cents
" $50 to $60	20 cents
" $60 to $75	25 cents
" $75 to $100	30 cents

INTERNATIONAL RATES

Table No. 2

WHEN PAYABLE IN AUSTRIA, BAHAMAS, BELGIUM, BERMUDA, BOLIVIA, BRITISH HONDURAS, CHILI, COSTA RICA, DENMARK, EGYPT, HUNGARY, JAPAN, LIBERIA, LUXEMBURG, MEXICO, NETHERLANDS, NEW ZEALAND, NORWAY, ORANGE RIVER COLONY, PERU, SWEDEN, SWITZERLAND, THE TRANSVAAL AND TRINIDAD.

Use the International form for these Orders.

For Order not exceeding	
$10	8 cents
Over $10 to $20	10 cents
" $20 to $30	15 cents
" $30 to $40	20 cents
" $40 to $50	25 cents
" $50 to $60	30 cents
" $60 to $70	35 cents
" $70 to $80	40 cents
" $80 to $90	45 cents
" $90 to $100	50 cents

Table No. 3

WHEN PAYABLE IN ANY OTHER FOREIGN COUNTRY.

Use the International form for these Orders.

For Order not exceeding	
$10	10 cents
Over $10 to $20	20 cents
" $20 to $30	30 cents
" $30 to $40	40 cents
" $40 to $50	50 cents
" $50 to $60	60 cents
" $60 to $70	70 cents
" $70 to $80	80 cents
" $80 to $90	90 cents
" $90 to $100	1 dollar

Observe that for Orders payable in *British Guiana, Canada, Cuba, Newfoundland*, the *Philippines* and the *Islands* of the *West Indies* named in Table No. 1, only the Domestic rates are to be charged and the Domestic forms are to be used.

☞ Take notice that the maximum amount for which a single Money Order may be drawn, in the United States is $100.00.

☞ There is no limitation to the number of International Orders that may be issued, in one day, to a Remitter, in favor of the same Payee.

INSTRUCTIONS

In the application the given name of the Remitter and Payee, or initials thereof, should precede their surnames respectively. If the Payee has only one given name, it should be written in full, if known to the Remitter. For example, the name John Jones should be so written, and not as J. Jones. The given name or names of a married woman should be stated, and not those of her husband. For example, Mrs. Mary J. Brown should not be described as Mrs. William H. Brown, unless her own given names or the initials thereof are unknown to the Remitter. Observance of these rules will tend to prevent mistakes and delay in payment.

Names of persons, places and streets, as well as numbers and amounts, should be written in *full* and in the plainest manner possible.

The Postmaster must refuse to issue an International Order payable to any person, if the surname and the initial letters of that person's given names are not furnished by the applicant, unless the Payee be a peer or a bishop, in which case his ordinary title is sufficient. If the Payee be a firm, the usual commercial designation of such firm will suffice, such as "Baring Bros.," "Smith & Son," "Jones & Co." (See Sec. 930, P. L. & R., 1902, par. a, b, and c.)

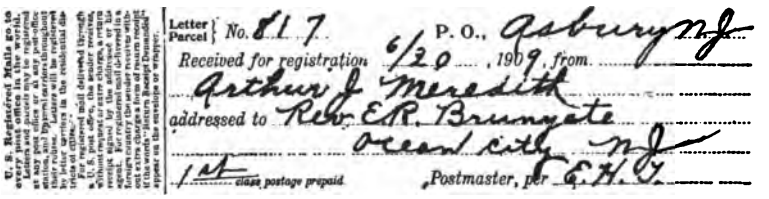
If the name and address of the Payee, as furnished in the application, cannot be transcribed accurately at the issuing office, the Remitter should be requested to write the same in his own language, on Form 6083, which should be attached to the advice and forwarded to the Exchange Office. In filling out the Form 6083, German characters may be used; or, in the case of orders payable in Russia or Greece, Russian or Greek characters may be employed, but the use of Hebrew characters is forbidden. (See Sec. 1055, P. L. and R., 1902.)

address upon it so that it may be returned to the sender if not called for.

Ten cents in addition to the regular postage is charged for a registered letter or package.

The sender receives a receipt for the letter or package sent. This receipt is given by the postmaster or one of his clerks and each clerk who receives it receipts for it from the one from whom he receives it. It may thus be traced if lost or stolen.

Following is the form of receipt given by the postmaster.


U. S. Registered Mail. To be used for domestic registered matter only. Letters and parcels may be registered at any post office or at any postoffice station. Letters will be registered in the order in which they are presented to the clerk. Letters will be registered for the fee in force at the time they are offered for registration. For registered mail delivered through the mail, prepay postage and fee, with which prepay as many return receipts signed by the addressee or his agent as desired, and for each return receipt prepay the fee. Under certain conditions, indemnity for the matter registered will be paid on payment of extra charges. Form of return receipt to be filled out and signed by addressee and signed on the envelope or wrapper.

Letter / Parcel } No. 817 P. O., Asbury N.J.

Received for registration 6/20, 1909, from Arthur J. Meredith

addressed to Rev. E.R. Brumgate Ocean City N.J.

1st class postage prepaid. Postmaster, per E.H.T.

Money by Express

Money is sometimes sent by express without the use of an express money-order. The amount of money to be sent is usually enclosed in an envelope of the express company.

REVIEW QUESTIONS

1. What is a draft?
2. Who is the drawer?
3. Where does he sign his name?
4. Who is the drawee?
5. Where is his name written?
6. Who is the payee?
7. Where is his name written?
8. What is a foreign bill of exchange?
9. What is an inland bill?
10. What is a sight bill of exchange?
11. What is a time bill?
12. What is time after sight? Time after date?
13. Explain the difference.
14. What are days of grace?
15. On what kinds of commercial paper are days of grace allowed?
16. When should a draft be presented for acceptance? Why?
17. When is a draft said to be dishonored?
18. How is a draft accepted?
19. Who is the acceptor of a draft?
20. What is a general acceptance?

21. What is a conditional acceptance?
22. What is a negotiable draft?
23. What is a non-negotiable draft?
24. How may a draft payable to bearer be transferred?
25. How one payable to order?
26. What is meant by indorsement?
27. What is indorsement in full? In blank?
28. Who is the first indorser?
29. Who is an indorsee?
30. How may indorsements in blank be restricted?
31. How many indorsers may there be?
32. For what is each indorser holden?
33. What must be done in order to hold the indorsers?
34. What is the effect of the words "without recourse"?
35. What is said of presenting a draft for acceptance?
36. Effect of failure?
37. When should a draft be presented for payment? Where?
38. If a draft is dishonored, who should be notified? Effect if not notified?
39. How can right of notice be waived?
40. What kind of a draft should be protested? By whom?
41. What are checks?
42. When should checks be presented for payment?
43. When should they be paid?
44. What is a certified check?
45. Who is the legal payer of a certified check?
46. What is a certificate of deposit?
47. Who is responsible for its payment?
48. What is a cashier's check?
49. Why better than an individual check?
50. What is said of an implied promise?
51. What of a direct promise?
52. If the drawee accepts a draft, what does the law presume?
53. If he refuses to accept the draft, what does the law presume?
54. What is a promissory note?
55. When is it negotiable?
56. When non-negotiable?
57. Who is the maker of a note?
58. Why called payer?
59. Why promissor?
60. What is said of the maker of a note as compared with the acceptor of a draft?
61. Where does he sign his name?
62. Who is the payee?
63. By what other names is he called?
64. Relation of payee and drawer?
65. Where is the payee's name written?
66. How may he convey his title?
67. Conditions necessary for a valid promissory note?

68. What is a time note?
69. What is a demand note? When due? When payable?
70. What is an individual note?
71. What is a joint note?
72. For what is each party liable?
73. What is a joint and several note?
74. For what is each person holden?
75. What is said of a firm note?
76. What is a chattel note? Which party has the option in payment?
77. What is a collateral note?
78. What is a mortgage note?
79. What is an interest-bearing note?
80. When can interest be collected on a note or draft?
81. What is a coupon note?
82. Where should partial payments be recorded? By whom? How?
83. What is said about indorsers, demand, notice, etc.?
84. What is the rule when commercial paper becomes due on Sunday? On a holiday?
85. When does a note become outlawed?
86. What is the effect of residence out of the state?
87. The effect of payment?
88. What is said in regard to a witnessed note?
89. What is said of a note signed by a minor?

Statements

At the beginning of each month it is often customary for a merchant to send a statement to his debtors showing how their accounts stand on his books. This enables each customer or debtor to compare the merchant's statement with his ledger account and to call attention to any possible errors.

The following illustrates one form of statement.

MONTHLY STATEMENT

E. W. WOODMAN CO.,

GROCERS,

SALEM, MASS., June 1911.

Sold To CHARLES A. FISCHER.

May	1	To mdse.	128	64		
	4		63	10	$181	74
		Cr.				
May	3		25	25		
	27		50		75	25
					$106	49

Account Sales

An **Account Sales** is a statement of details, rendered by a commission merchant or consignee to his principal, of the disposition of a parcel of goods. It shows the price realized, the expense attending the sales, and the net sales due the consignor.

The following forms illustrate several account sales.

ACCOUNT SALES OF POTATOES, PER STEAMER SANFORD, FOR JOINT % AND RISK OF JAMES L. MOODY, BELFAST, ME., AND OURSELVES

191–						
Mar.	22	The potatoes, having been injured by frost in transportation, were sold at auction,				
		324 bu. @ 42¢,			136	08
		CONTRA				
Mar.	15	Paid transportation charges, 10¢ per bu.,	32	40		
"	22	Storage, ½¢ per bu.,	1	62		
		Advertising,	2	00		
		Insurance, ⅛ % on sales,		17		
		Commission, 2½ % on sales,	3	40		
		Total charges,	39	59		
		Our ⅓ net loss,	32	75	6	84
		Your net proceeds, credited as cash March 24,			129	24
		Your invoice, $162.00				
		Less your ⅓ net loss, 32.76				
		Your net proceeds, as above, $129.24				

BOSTON, MASS,, March 22, 191–.
MESERVEY, PRESTON, & MARSH.

When payments are to be made to the consignee for a consignment, at different dates, the time at which the whole may be paid, so that neither party may suffer loss, should be ascertained and the equated time should be stated in the Account Sales.

At the equated time, the consignee should remit the net proceeds to the consignor, or the consignor may draw on the consignee for the amount. (Consult any commercial arithmetic for further explanation of Equation of Accounts.)

ACCOUNT SALES OF BUTTER, PER BOSTON & MAINE R.R., FOR JOINT % AND RISK OF JOHN C. THOMPSON, ST. ALBANS, VT., AND OURSELVES

191–						
Mar.	11	Shipped Scott & Dickens, Liverpool, 50 tubs butter, 2408 lbs. @ 30¢,			722	40
		CONTRA				
Mar.	5	Paid freight and drayage,	21	50		
"	11	Storage 50 tubs, @ 1¢,		50		
		Advertising,	1	50		
		Insurance, ⅛% on sales,		90		
		Commission, 2½% on sales,	18	06		
		Our ½ net gain,	87	13	129	59
		Net proceeds, credited as cash this day,			592	81

BOSTON, MASS., March 11, 19—.
MESERVEY, PRESTON, & MARSH.

ACCOUNT SALES OF FLOUR, PER NEW YORK CENTRAL R. R., FOR JOINT % AND RISK OF STONE & WELLER, DETROIT, MICH., GEORGE SANDS, WORCESTER, AND OURSELVES, EACH ⅓.

191–						
Mar.	19	Shipped Day & Wheeler, Portland, Me., 300 bbls. "Snowflake" flour, @ $6.50,	1950	00		
"	28	Sold Henry Y. Simpson, on % at 30 days, 200 bbls. "Snowflake" flour @ $6.25,	1250	00	3200	
		CONTRA				
Mar.	9	Paid freight, 500 bbls. @ 28¢,	140	00		
"	28	Storage, 500 bbls. @ 2¢,	10	00		
		Cooperage,	1	25		
		Advertising,	5	00		
		Insurance, ⅛ % on sales,	4	00		
		Commission, 2½ % on sales,	80	00		
		George Sands' ⅓ net gain,	153	25		
		Our ⅓ net gain,	153	25	546	75
		Stone & Weller's net proceeds, credited as cash April 5,			2653	25

BOSTON, MASS., March 28, 19—.
MESERVEY, PRESTON, & MARSH.

INVENTORY OF PROPERTY MARCH 31, 191–

Mdse., 400 bu. corn @ 61¢.,	$244.00
Rent, 1 month unexpired,	175.00
Advertising, 1 month unexpired,	30.00
Insurance, 11 months unexpired,	45.83
	$494.83

Contra means opposite.

The $136.08 above given represents the amount received from sales and the $6.84 represents the opposite of receipts or the expenses incurred in conducting the sales. The difference, $129.24, represents the net proceeds or the amount remitted to the shipper.

XIX

BUSINESS PRACTICE SET

The object of this set is to teach the student how to prepare and use the most important papers employed in transacting business.

The student will make out all the outgoing papers, and will receive the incoming papers. These incoming papers will be complete in every respect except that the student will have to insert the name of the city or town and the year in which he is doing the work. Each transaction is numbered and the vouchers on the pad are numbered to correspond.

The materials to be used in the first month's work are the cash book, journal day book, the ledger, the sales book, the note ledger, the bank pass book, the check book, and the voucher pad.

Instructions to the Student

You, the student, are to act as manager and bookkeeper for Mr. A. B. Meservey, who is about to commence the wholesale dairy business this day (April 1, 19—) at 315 Broad Street, your city. You will receive a salary of $72 a month.

Apply to your teacher for the necessary vouchers and supplies with which to begin the business.

A selling price list will be assigned to you by your teacher (see page 188). When you sell any merchandise use the selling price given in the price list assigned to you.

In order to have nothing but perfect work in your books, it would be well if your teacher thinks best for you to make all your entries on loose sheets of journal and ledger paper and have your work approved by your teacher before copying it into your permanent blank books.

Transactions

No. 1. April 1, 19—. Mr. A. B. Meservey has entrusted to you the buying of merchandise and other things necessary to the conduct of the business, and also gives you the authority to

sign checks, notes, and other necessary papers by this power of attorney.

Take this power of attorney from your incoming voucher pad, fill in the blank spaces as indicated, read it carefully in order that you may know just what your powers are and put it in the envelope marked "Vouchers."

No. 2. April 2. Mr. A. B. Meservey invests $8000 in cash. Take the currency from the envelope on the voucher pad and, if the amount is correct, place it in the envelope marked "Cash Drawer." Make the proper entry in the cash book. (Since cash is received the Cash Account is debited for $8000. What account is credited?) In your journal day book make a brief memorandum concerning the beginning of the business.

The following illustrations will serve as a good form for this.

APRIL 1, 191–

		Charles F. Allen has this day begun the wholesale dairy business, investing $7500 in cash. He has rented the store, 15 Park Street, of Henry James at $65.00 a month.			

No. 3. April 2. Mr. Meservey has leased from Charles S. Allen, for a period of five years, at $80 a month, the store No. 315 Broad Street, your city.

Take the lease from your pad, read it carefully, noting whether or not the essential facts are stated correctly, fill in the blank spaces, and, after folding it lengthwise, place it in the envelope marked "Vouchers."

Pay the first month's rent in advance. Take the money from your cash drawer and place it in the envelope marked "Cash Paid Out" (in paying out money use the largest denominations possible).

Make the proper entry in your cash book. (As this money is used for the running expenses of the business, "expense" should be debited and cash credited.)

After you have paid the rent take the receipt from your pad and place it in your envelope marked "Vouchers."

No. 4. April 4. This voucher shows that office furniture has been purchased for cash. Pay the bill in currency and make the proper cash-book entry similar to transaction three.

No. 5. April 4. This invoice, dated April 2d, shows a cash purchase of merchandise from Winch Brothers. Take the invoice from your voucher pad, verify each computation, and, if found to be correct, mark the invoice O.K. and sign your initials to it. Pay the invoice and make the proper entry in your cash book, debiting merchandise, and place the invoice in the envelope marked "Invoices."

No. 6. April 5. This voucher shows a cash purchase of books and stationery for office use. Pay the bill in currency and enter in your cash book.

No. 7. April 6. This letter was received from Lawrence Bell, ordering goods. Make out the bill for the merchandise and place the invoice in the envelope marked "Outgoing Papers." Make the proper entry in the sales book.

No. 8. April 7. This transaction is similar to No. 5.

No. 9. April 8. This memorandum shows a cash sale to A. B. Smith. Fill the order, give him a receipted bill, get the cash from your teacher, place it in the cash drawer, and make the proper entry in your sales book and cash book. Place a check mark (✓) in the ledger folio column of your sales book before the name A. B. Smith, and do the same thing in your cash book. By so doing you will not post the amount of this sale twice. It will appear in the total sales for the month and the cash received for it will appear in the cash book.

No. 9A. In order to refer to your price list more easily, copy the selling price list your teacher assigned you on this slip and paste it in the inside front cover of your text-book.

No. 10. April 9. This invoice shows a purchase of goods on account. Verify the calculations, and make the proper journal entry. The entry will be similar to the one given below.

		9					
	Mdse. Smith Bros.	Bought mdse. on account as per invoice	$67	83	$67	83

No. 11. April 11. This letter orders merchandise. Fill the order, make out the bill, and enter in the sales book.

No. 12. April 12. Mr. Meservey asks you to pay his meat bill, as per the memorandum, out of the funds of the business. Do so, and charge the amount of the bill to Mr. Meservey's account.

The accompanying receipt is from Mr. Porter, which he gives you upon receipt of the money.

No. 13. April 13. You have made payments for incidental expenses this day amounting to $4.62. Take this amount from the cash drawer and place it in the "Cash Paid Out" envelope. Enter the amount in your cash book.

No. 14. April 14. Fill this order and follow the instructions given in No. 9.

No. 15. Report. Take the report blank (No. 15) from your pad, and from your cash-book entries determine how much cash you have received. Write the amount opposite "Cash received" in the report. Do the same thing with the "Cash paid out," placing that amount opposite "Cash paid out" in your report. The cash on hand is found by subtracting the amount of cash received from the cash paid out. Place this amount opposite "Cash on hand" in the report. Count the cash in your cash drawer. If you have done the work correctly up to this point, the cash in your cash drawer should equal the amount of cash on hand, as shown in your report. If the amount does not agree, go over your work carefully and find your mistake.

Add the account of the various sales in your sales book, and place the amount opposite bills of merchandise sold, in your report.

This report is for the teacher's benefit in order that the student's work may be checked up. Such a report would not be used in actual business. Present this report to your teacher with your books, Vouchers, and "Cash Paid Out" envelopes. See that your work is done neatly, as poor work will not be accepted by your teacher. If the work is approved by your teacher he will keep the cash paid out and return the rest of your work to you.

No. 16. April 16. Mr. Meservey has decided to open a bank account with the Merchants National Bank of your city.

Method of Opening a Bank Account

If the person wishing to open a bank account is not acquainted with any of the bank officials, he should get some one who is known to them to introduce him. Upon being introduced, the cashier takes the depositor's signature in a signature book, or on a signature card, and this form of signature is to be used all the time. The following is a form of signature for one who is acting as attorney for his employer.

BANK SIGNATURE CARD No. 16

M

NAME	BUSINESS	BY WHOM INTRODUCED
H. V. Manning, by Chas. A. Clark, Atty.	*Boot and Shoe*	*Clarence L. Dumm*

Fill out the bank signature card, placing A. B. Meservey's name by your name, attorney, in the first column, wholesale dairy in the second column, and let your teacher, who is supposed to have an account in the Merchants Bank, sign his name in the third column, thus introducing you to the bank officials.

This card is retained by the bank officials in order to verify your signature. Always sign all checks and negotiable papers exactly as you have signed in the first column of this bank signature card as the bank officials will not be likely to honor checks and notes signed in any other way.

If an account is opened by a firm, the signature of the firm should be taken by the bank officials in the handwriting of each person connected with the firm, whether a member or not, who has authority to draw checks. If a corporation wishes to open an account, the signature of the person who has authority to make disbursements for the corporation should be given, together with a copy of the by-laws of the corporation conferring such authority.

Your next step is to make out a deposit slip similar to the form given below.

The following illustrates the form of a deposit ticket, although the amount of the deposit and the date are different.

DEPOSITED BY

A. B. Meservey, per Student, Atty.

IN

The MERCHANTS BANK

Feb. 19, 191___

Specify the Places on which Checks are drawn.
Checks and Drafts are credited subject to payment.

	DOLLARS		CENTS
Bills	6	000	
Coin			
Checks (*enter singly*)			
	6	000	

You may deposit $7000. Fill out a deposit ticket which you will find among your supplies. Count out $7000 from your cash drawer and take your signature card, bank pass book, deposit ticket, and money to your teacher, who will act as receiving teller for the bank, and make your deposit. Your teacher will enter the amount of your deposit in your bank pass book, and explain the various steps to you.

Next enter the amount of your deposit in the stub of your

check book, so that you may have a sum of money from which to subtract the checks you will draw later.

The following is the form you are to follow.

Balance		
Deposited, February 19 - *19*__	6000	00
*No.*__		
*Date,*__ *19*__		
Order of		
__		
*For*__		
Amount of Bill, $__		
*Discount*__ *%,* $__		
Amount of Check		
*Deposited,*__ *19*__		
*No.*__		
*Date,*__ *19*__		
Order of		
__		
*For*__		
Amount of Bill, $__		
*Discount*__ *%,* $__		
Amount of Check		
Balance forward,		

No. 17. April 18. Fill this order in the usual manner.

No. 18. April 18. Mr. Meservey has sent in this order to be filled. See that the merchandise is delivered to the person

designated in the order. Send a bill with the order. Enter in the sales book.

No. 19. April 19. Give the City Grocery Company a check for $30 to apply on account.

Take your check book and first fill out the stub as shown in the following form.

Balance,	
Deposited, April 16 191	7000
No. 1	
Date, April 19 191	
Order of	
City Grocery Company	
For On Account	
Amount of Bill, $	
Discount %, $	
Amount of Check,	30
	6970
Deposited, 19	
No.	
Date, 19	
Order of	
For	
Amount of Bill, $	
Discount %, $	
Amount of Check,	
Balance forward,	

Next fill out the check like the form given below.

THE MERCHANTS BANK

No. 1 April 19, 191—.

(Your address here.)

PAY TO THE ORDER OF City Grocery Company $30 00/100

Thirty 00/100 DOLLARS.

A. B. Meservey

BY Student
Atty.

Your teacher will give you full instructions for writing checks.

Take the check from your check book and place it in your "Cash Paid Out" envelope.

Your stub shows that you now have $6970 left in the bank.

In order to make your check book agree with the amount of money you have in the bank, you must subtract the amount of each check from the amount already in the bank, and add all deposits to the amount on hand in the bank.

Make the proper cash book entry for this transaction. Since a check represents money an entry for a check given would be the same as for cash given, and for a check received, the same as for cash received.

The receipt No. 19 on your pad is given you by the City Grocery Company after the $30 has been paid. Place this receipt in your "Vouchers" envelope.

No. 20. April 20. This invoice is for merchandise bought of Smith and Allen. Enter in your journal day book in the usual way. Take your notebook from your supplies, and write a thirty-day note for the amount of this bill.

Remove the note from the stub and place it in your envelope marked "Outgoing Papers."

Enter the amount of the note in your journal day book, debiting Smith and Allen and crediting bills payable. Enter it also in your note ledger under bills payable.

No. 21. April 21. Fill this order and follow the usual directions for such a transaction.

No. 22. April 22. Pay the City Gas Company by check the gas bill for the month, $8.

No. 23. April 23. This note was received from Mr. H. Colby and Company in payment of bill of yesterday. Make the proper entry in your journal and note ledger. (What account should be debited? What account should be credited?)

No. 24. April 23. This cash was received from Weld and Mason in full settlement of their bill of April 11th. Count the money and, if found to be correct, put it in your cash drawer. Make the proper cash-book entry.

No. 25. April 25. Pay by check the balance of the bill to the City Grocery Company, and make the proper entry.

No. 26. April 25. This transaction is similar to No. 20.

No. 27. April 25. Mr. Meservey asks you to pay him $4.87 in order that he may pay for incidentals pertaining to the business.

Take the amount from your cash drawer, and place it in your "Cash Paid Out" envelope, and charge to expense in the cash book.

No. 28. April 26. This invoice represents a purchase of merchandise and is similar to transactions you have had before. Make the proper entry.

No. 29. April 27. This sale is made to Levi Clough on his thirty-day note. Enter the sale in the sales book.

No. 30. April 27. Enter the note in the journal and note ledger.

No. 31. April 28. Deposit all the cash you have in your cash drawer. Follow the instructions given for your first deposit.

No. 32. April 28. Mr. Meservey wishes to withdraw $100 for his personal use. Write him a check for that amount and charge his account with the amount of the check.

No. 33. April 29. Enter this purchase in the journal.

No. 34. April 29. Enter this purchase in the cash book and write a check for the amount of the bill.

No. 35. April 30. Fill this order and make the proper entry.

No. 36. April 30. Fill this order and make the proper entry.

No. 37. April 30. This transaction is similar to Nos. 35 and 36.

No. 38. April 30. This cash was received from C. A. Wentworth for a sale of merchandise. Put the cash in the cash drawer, and make the proper cash-book entry. See instructions for No. 9 and No. 14 above.

No. 39. April 30. Mr. Meservey purchased this bill of merchandise to-day. Enter as usual.

No. 40. April 30. Draw a check for your salary and charge it to expense in the cash book.

No. 41. Second Report. Determine the cash received and cash paid out since the last report. To find the cash on hand, add the cash received in the second report to the cash on hand in the first report, and subtract from that amount the cash paid out in the second report.

Post all the transactions for April from your journal daybook, cash book, and sales book to your ledger, placing three accounts to a page, after which take a trial balance, using the balances of each ledger account instead of the debits and credits.

The following inventory shows the value of the merchandise on hand at its latest cost price.

INVENTORY, APRIL 30, 191–

60 tubs butter (4200 lbs.)	@ 28¢	$1176.00
28 cases eggs (1372 doz.)	@ 27¢	370.44
49 Medium Pineapple cheeses	@ 85¢	41.65
8 Young America cheeses (160 lbs.)	@ 20¢	32.00
10 Young America cheeses (150 lbs.)	@ 20¢	30.00
33 jars Sportsman's cheese	@ 25¢	8.25
1 English Dairy cheese (20 lbs.)	@ 19¢	3.80
4 Imperial No. 1 cheeses (44 lbs.)	@ 23¢	10.12
Total		$1672.26

This inventory is found by subtracting the amount of each kind of merchandise sold during the month from the amount of each kind of merchandise bought during the month. Usually the value is determined by the latest cost price of each kind of merchandise.

There are two other inventories the value of which are estimated. They are as follows:

Furniture and fixtures (estimated)	$35.00
Expense (stationery, etc., estimated)	15.00

Next make statements of losses and gains, and resources and liabilities.

Open a Loss and Gain Account in your ledger.

Close all the accounts in your ledger.

Continuation of April Business

May

A. B. Meservey and student form a partnership under the firm name of A. B. Meservey and Company.

Mr. Meservey is to do all the buying for the new firm and is also to spend part of his time as traveling salesman, and the student is to take full charge of the books and to attend to the payment of bills, also to make all the notes, drafts, checks, and other negotiable papers, and to act as manager of the store.

The gains and losses are to be shared as follows: A. B. Meservey two-thirds and student one-third. Each partner is to give his full time to the business. A. B. Meservey is to receive a salary of $150 a month, and the student $125 per month.

A. B. Meservey invests the balance of cash of April, as well as the amount of merchandise on hand at the close of last month. You, the student, invest cash $4000. Procure this cash from your voucher pad and place it in the cash drawer with the balance left from last month. Make the proper cash-book entry for this amount by writing your name and the amount invested on the debit side of the cash book. Before doing this, if you have not already done so, bring down the balance of cash on hand at the end of last month.

No. 42. May 2. Pay this gas bill for last month as indicated by this bill.

This bill belongs to last month's business, but it was agreed that all bills not presented last month should be paid by the new firm. Write a check for the amount, and place the receipted bill in the "Vouchers Paid" envelope. Make the proper entry in the cash book.

No. 43. May 2. This transaction is an invoice of merchandise purchased.

The books used in this month's business are the same ones that were used last month with the addition of the invoice book.

Paste this invoice in your invoice book, and write the amount

in the money column of the invoice book. No journal entry is required for this transaction for all postings are made directly from the invoice book.

Invoice Book. This book is generally made up of the original bills themselves, which are pasted in the invoice book and the amount of each invoice carried to the money column.

In pasting the invoices in the invoice book, take care that the right-hand edge of the invoice does not extend over into the money column. It may be necessary to extend the edges of the bills a little. Paste on the left-hand edge of the invoice and let the invoices lie over each other.

The footing of the money column at the end of the month should be posted to the debit side of the Merchandise Account and the person from whom the invoice is purchased should be credited.

No. 44. May 3. Fill this order and send the bill for the same. Make the proper entry.

No. 45. May 5. Pay by check the items mentioned in this memorandum and make the proper entries.

No. 46. May 6. Fill this order, and make the proper entry.

No. 47. May 7. This invoice has been purchased by Mr. Meservey, who has agreed to accept a draft at ten days. The draft accompanies the invoice and is ready to be accepted by the firm. If the bill is correct, accept the draft by writing across its face in red ink, "Accepted, May 7, 19—, Payable at the Merchants' National Bank, A. B. Meservey and Company." Place the draft in the notes payable file after you have made a journal entry, debiting the City Grocery Company for the amount of the acceptance and crediting bills payable. Enter the bill in the invoice book.

No. 48. May 9. Fill this order in the usual manner and make the proper entry.

No. 49. May 9. Fill this order and make the proper entry.

No. 50. May 10. Enter this bill in the invoice book.

No. 51. May 10. This check was received in payment of No. 44. Make the proper entry in the cash book.

No. 52. May 11. Fill this order and make the proper entry.

No. 53. May 12. This check was received in payment of the merchandise mentioned in the letter. Make the proper entry

for the check and also for the merchandise. Send Mr. Hatch a receipted bill for the amount of the check.

No. 54. May 14. Enter in the invoice book.

No. 55. May 14. Give Mr. Meservey a check for $15 to apply on his account. Pay $2.61 for sundries. Draw a check in favor of "Cash" for $2.61 and ask your teacher to cash it for you. Place the money in the "Cash Paid Out" drawer.

No. 56. May 16. Fill this order and make the proper entry.

No. 57. May 17. Pay by check the acceptance mentioned in No. 47 ($1156.40).

No. 58. May 19. Enter in the invoice book.

No. 59. May 19. Deposit all checks and cash you have in the cash drawer.

No. 60. May 19. This check is from Bingham and Cate to pay for their bill of May 10th, No. 52.

No. 61. May 19. Pay Smith and Allen by check for our note due to-day $299.50.

No. 62. May 20. This check was received in full of account to date.

No. 63. May 20. Fill this order and make the proper entry.

No. 64. May 21. This cash ($184.20) was received from Colby and Company on their note due to-day. Put the cash in the cash drawer and make the proper entry.

Pay cash $3.65 for cleaning windows. Place cash in the "Cash Paid Out" envelope and make the proper entry.

No. 65. May 21. Enter in the invoice book.

No. 66. May 21. Fill this order.

No. 67. May 23. Enter in the cash book. Place a check mark (√) before it in the cash book and charge to merchandise.

No. 68. May 23. Enter this order in the sales book.

No. 69. May 24. Student withdrew $10 for private use.

Enter in the cash book, crediting cash and debiting student.

Mr. Meservey took 3 doz. strictly fresh eggs for his family use. Enter in the sales book, charging Mr. Meservey the cost price.

No. 70. May 25. Enter in the invoice book.

No. 71. May 26. This cash is from Davis, Rice, and Company to balance their account. The check was received from

Levi Clough in payment of their note due to-day. Make the proper entries.

No. 72. Fill this order and send Mr. Green a receipted bill for the amount of cash which he sends us. Place the cash in the cash drawer and make the proper entry. This transaction is similar to transactions No. 9 and No. 14.

No. 73. May 27. This check was received from E. W. Woodman Company to balance their April account. Make the proper entry.

No. 74. Write a check in favor of S. S. Pierce Company to settle their account to date. Make the proper entry.

No. 75. May 31. Make the proper entries for the items of this memorandum.

No. 76. This check was received to apply on account. Make the proper entry.

Post all the books to the ledger. Take a trial balance. The inventory of merchandise for May is found in the same way as that of April. The following are the inventories for May:

MERCHANDISE INVENTORY FOR MAY

53 tubs butter, 3710 lbs.	@ 28¢	$1038.80
67 cases eggs, 3283 doz.	@ 27¢	886.41
12 Imperial cheeses, No. 1, 132 lbs.	@ 23¢	30.36
6 English Dairy cheeses, 120 lbs.	@ 20¢	24.00
1 Young America cheese, 20 lbs.	@ 20¢	4.00
15 jars Sportsman's cheese	@ 25¢	3.75
14 Medium Pineapple cheeses	@ 85¢	11.90
Total		$1999.22

Expense (stationery), estimated value	$ 5.00
Furniture and fixtures, estimated value	30.00

Make a statement of losses and gains and resources and liabilities.

Close all the accounts in the ledger, bringing down the balance of each account.

Divide the net gain or net loss according to the agreement at the beginning of the month, which was two-thirds to A. B. Meservey and one-third to student. Close the Loss and Gain Account in the ledger. Remember to balance the cash book at the end of the month.

Present all your books *to your teacher* for approval.

PRICE LIST FOR APRIL AND MAY

		1	2	3	4	5	6	7	8	9	10
Butter											
Butter	70 lbs.	35¢	36¢	38¢	37¢	40¢	39¢	41¢	43¢	42¢	40¢
Butter, creamery	10 lbs.	38¢	40¢	39¢	42¢	37¢	45¢	48¢	46¢	41¢	44¢
Eggs											
Eggs, case	49 doz.	30¢	32¢	34¢	36¢	38¢	40¢	41¢	44¢	43¢	42¢
Eggs, strictly fresh		33¢	35¢	37¢	38¢	39¢	42¢	44¢	46¢	48¢	36¢
Cheese											
English Dairy	20 lbs.	20¢	22¢	24¢	18¢	26¢	25¢	27¢	19¢	21¢	23¢
Imperial No. 1	11 lbs.	25¢	26¢	27¢	24¢	23¢	28¢	30¢	29¢	27¢	22¢
Medium Pineapple		$1.00	95¢	90¢	97¢	96¢	94¢	93¢	92¢	91¢	89¢
Sportsman's	jars	35¢	36¢	34¢	38¢	37¢	39¢	40¢	33¢	32¢	41¢
Young America	20 lbs.	22¢	23¢	21¢	24¢	26¢	25¢	26¢	29¢	20¢	28¢

XX

SPECIAL COLUMN BOOKS

When the nature of a business is such that a large number of items are to be posted to the same account, the work may be greatly abridged by writing such items in special columns and posting the *footings* at the end of the month.

The *number* of these special columns varies according to the kind of transactions to be recorded.

In the special column journal daybook the entry is written in the center of the page, the debits on the left, the credits on the right.

In the following example is shown a concise method of recording the business transactions of a dairyman. He ships his butter, Mondays and Thursdays, to Cook and Company, and charges them, as per contract, 25¢ per pound, on account. He pays cash for express on each shipment, 35¢, as per agreement with the company.

Hence there will be two debits — Express and Cook and Company — and two credits — Cash and Butter — every time he sends butter to Boston.

So also concerning milk, which he sells by means of tickets — each ticket representing a quart of milk. These are invariably sold for cash, and taken up when the milk is delivered. The amount received for tickets is entered twice a week, when the entry is made concerning the butter. There will be one debit, — *Cash* — and one credit — *Milk* — and these can be written in the special columns.

But as there will be other items for which there are no special columns, there must be a debit and credit set for sundries.

The *items* in the sundries columns should be posted daily, the *footings* of the special columns at the close of the month.

The inside column on each side is for the pages of the ledger to which the items are posted.

The date is written in the center of the page.

SPECIAL COLUMN JOURNAL DAYBOOK

January 2, 19—.

Express	Cook & Co.	Cash	Sundries	Journal Day Book	Sundries	Cash	Butter	Milk
			4000 00	Farm, estimated value				
			1200 00	Live stock, estimated value				
			400 00	Apparatus, estimated value				
			250 00	Feed, cost				
		730 00		Cash on hand				
				Proprietor, invested	6580 00			
				—5—				
35	16 00			Butter, 64 lbs. @ 25¢		35	16 00	
		3 70		Milk, 74 tickets @ 5¢				3 70
			30 00	Live stock, Dr. Bought cow		30 00		
				—7—				
35	10 50			Butter, 42 lbs. @ 25¢		35	10 50	
		3 10		Milk, 62 @ 5¢				3 10
				—12—				
35	16 75			Butter, 67 lbs. @ 25¢		35	16 75	
		4 50		Milk, 90 @ 5 ¢				4 50
			48 00	Feed, Dr. Bought 3 tons @ $16		48 00		
				—14—				
35	11 25			Butter, 45 lbs. @ 25¢		35	11 25	
		3 45		Milk, 69 @ 5¢				3 45
		40 00		Cook & Co., Cr. By cash on%	40 00			
				—19—				
35	17 50			Butter, 70 lbs. @ 25¢		35	17 50	
		4 35		Milk, 87 @ 5¢				4 35
		7 00		Live stock, Cr. Sold calf	7 00			
				—21—				
35	10 00			Butter, 40 lbs. @ 25¢		35	10 00	
		3 35		Milk, 67 @ 5¢				3 35
			3 75	Expense, Dr. Paid for cans		3 75		
				—26—				
35	17 75			Butter, 71 lbs. @ 25¢		35	17 75	
		4 60		Milk, 92 @ 5¢				4 60
			40 00	Feed, Dr. 2 tons meal		40 00		
				—30—				
35	12 00			Butter, 48 lbs. @ 25¢		35	12 00	
		3 25		Milk, 65 @ 5¢				3 25
		50 00		Cook & Co., Cr. Cash on%	50 00			
2 80	111 75	857 30	5971 75		6677 00	124 55	111 75	30 30
			857 30	Cash, Dr. Cash, Cr.	124 55			
			111 75	Cook & Co., Dr. Butter, Cr.	111 75			
			2 80	Express, Dr. Milk, Cr.	30 30			
			6943 60		6943 60			

The student will now post all the *items* from the *sundries* columns, and the *footings* from the *special* columns. Then take a trial balance, and close the ledger, estimating the *farm* and *apparatus* at *cost* and the *feed* on hand at $250, and the *live stock* at $1223.

Dr. LOSS AND GAIN *Cr.*

191–					191–				
Jan. 31	Feed		88	00	Jan. 31	Butter		111	75
	Expense		3	75		Milk		30	30
	Express		2	80					
	Proprietor		47	50					
			142	05				142	05

Net capital at closing $6627.50

Take a piece of ordinary paper and rule it like the special column journal day book given above, and write out the following data.

The gains, of course, are from butter and milk; the losses, from feed, expense and express. All these should be closed into Loss and Gain Account.

Let the inventory of property be as in the last month.

February 2, 1911. Shipped to Cook and Company 69 lbs. butter and sold 76 tickets for milk.

February 4. Shipped 41 lbs. butter and sold 96 tickets.

Bought 2 tons hay at $15.

February 9. Shipped 65 lbs. butter and sold 100 tickets.

February 11. Shipped 52 lbs. butter and sold 82 tickets.

Sold heifer for cash $15.

February 16. Shipped 72 lbs. butter, sold 98 tickets.

February 18. Shipped 56 lbs. butter, sold 84 tickets.

Bought 3 tons feed @ $17.

February 23. Shipped 78 lbs. butter, sold 105 tickets.

Bought 1 cow for cash $40.

February 25. Shipped 60 lbs. butter, sold 90 tickets.

Received cash of Cook and Company on account $50.

February 28. Shipped 80 lbs. butter, sold 50 tickets.

Received cash of Cook and Company on account $60.

Paid for labor and other expenses, $62.

Net capital at closing $6663.65.

The following illustrates a six-column journal.

For a common retail business a six-column journal is frequently used. The two *outside* columns are for *merchandise*, bought and sold: the *middle* ones for *cash*, paid and received; the *inside* ones, for sundry *debits* and *credits*.

The following example will show the advantage of using the six-column journal in recording common business transactions.

Mdse.	Cash	Sundries			October 2, 1911	Sundries		Cash		Mdse.	
		4000	00		*Real Estate*						
	3000	00			*Cash* Invested						
3800	00				*Mdse.*						
					Louis S. King	10800	00				
					4						
	480				*Cash* To *Mdse.*					480	00
					Sold J. P. Rollins						
					40 M pine boards @ $12						
					7						
750	00				*Mdse.* To *Cash*			750	00		
					Bought of Wm. C. Cate						
					30 M spruce flooring @ $25						
					11						
		45	00		*John B. Swift* To *Mdse*					45	00
					Sold him 10 M shingles @ $4.50						
					14						
		150	00		*Bills Receivable* To *Mdse.*					150	00
					Sold Chester Park						
					12 M hemlock boards @ $12.50						
					16						
475	00				*Mdse.* To *Bills Payable*	475	00				
					Bought of Johnson Brothers						
					50 M clapboards @ $9.50						
					19						
	20	00			*Cash* To *John B. Swift*	20	00				
					Rec'd on %						
					21						
		5	75		*Expense* To *Cash*			5	75		
					Paid for sundries						
					25						
	150	00			*Cash* To *Bills Receivable*	150	00				
					Chester Park has paid note						
					27						
		308	00		*Peter Cavis* To *Mdse.*					308	00
					10 M pine boards @ $12.50						
					10 M hemlock boards @ $11.25						
					5 M clapboards @ $10.50						
					4 M shingles @ $4.50						
					28						
		475	00		*Bills Payable* To *Cash*			475	00		
					Paid our note of the 16th						
					30						
		7	50		*Expense* To *Cash*			7	50		
					Paid sundry expenses						

Page of Ledger

Page of Ledger

Net capital at closing, $10,744.75.

The student will close the above journal, post, make trial balance, and close the ledger with Loss and Gain accounts and statements of Resources and Liabilities.

The amount of merchandise on hand is estimated at $4000.

It is often very desirable in a large business to keep a special column cash book as well as other special column books.

If the business is selling a large quantity of merchandise for cash, a special column for merchandise sold would be convenient to have on the debit side of the cash book, or if discount on merchandise were allowed to or by the business it might be well to have a special column for merchandise discount on each side of the cash book.

If it is desired to show the total amount of a bill as well as the net amount of cash received after the discount had been allowed, this could be done by having a special column for each of the following items, — Amount of Bill, Discount Allowed, Amount Received, on either or both sides of the cash book as the occasion demanded. If there are a number of special columns used it would be necessary to have a sundry or miscellaneous column on both sides of the cash book in which all items not otherwise provided for should be placed.

In the special column cash book shown on the two following pages you will notice that there are three special columns on the debit side, viz., merchandise, sundries, and balances, and three on the credit side, viz., expense, merchandise, and sundries. Notice how the footings of the other columns are carried into the column marked balances before the book is closed.

No hard and fast rule as to what special columns should be used in any of the books can be followed, since it all depends upon the nature of the business in which one is engaged.

The Sales and Purchase Ledgers. Sometimes so much merchandise is bought and sold on account that it is found advisable to keep separate books for such sales and purchases. If such be the case, the Sales Ledger will show all sales of merchandise and the Purchase Ledger all the merchandise purchased. These books may have special columns which will greatly facilitate the work of the bookkeeper.

The same principles of double entry bookkeeping as to debits and credits which you have been using apply also to special column books.

CASH. TO SUNDRIES

Date 19—	L. F.	Journal		Mdse.		Sundries		Balances	
July 1		Investment of	L. A. Thornton					1127	62
		Investment of	Seth J. Byron					8000	00
4		Isaac Hooper	on a/c			50	00		
8		Wiley & Foss	on a/c			75	00		
10	✓	Mdse.	Sold C. F. Allen	12	24				
10		Isaac Hooper	on a/c			100	00		
13		Mdse.	Sold J. B. Scott	82	50				
15	✓	Bills Receivable	Rec'd of D. B. Floyd			600	00		
		Interest	on above note			7	51		
17		Bethlehem Hotel Co.	on a/c			112	00		
19		Thos. Hunter	on a/c			42	00		
22		Bills Rec.	Rec'd from R. G. Whipple			600	00		
		Interest	on above note			8	22		
23		Bethlehem Hotel Co.	on a/c			142	00		
24		Wiley & Foss	on a/c			25	00		
		Isaac Hooper	on a/c			150	00		
25		Thos. Hunter	to bal. a/c			42	00		
		Bills Rec.	Maurice Kirby's note			40	00		
27		Isaac Hooper	on a/c			45	50		
		Discount	on our note favor of J. Shepherd			2	70		
		Mdse.	Sold to E. Holbrook	108	00				
29		Wiley & Foss	to bal. a/c			34	17		
		Discount	on our note favor Dole Carpet Co.			2	07		
30		Bills Rec.	D. J. Waller's note			169	00		
		Isaac Hooper	to bal. a/c			21	93		
		Bills Rec.	A. L. Rigg's note			160	40		
31		Andrew Conant	to bal. a/c			60	00		
	✓	Mdse.	Sold Wm. Cate	10028	00				
		Bills Rec.	W. H. Spray's note			105	00		
		Beth. Hotel Co.	to bal. a/c			82	92		
		Geo. E. Bacon	to bal. a/c			26	64		
		Mdse. Cr.	Sold for cash	10230	74	10230	74	12934	80
		Cash Dr.	Total receipts			12934	80		
								22062	42
Aug. 1	✓	Balance						16703	00

SUNDRIES. TO CASH

Date 19—		Journal	Day Book	Expense		Mdse.		Sundries	
July 1	✓	Expense	Pd. for set of books	17	50				
	✓	Mdse.	Bt. of Whitney, Morgan, & Co.			1075	00		
3		Dole Carpet Co.	Pd. them on %					100	00
6	✓	Expense	Pd. for rent	75	00				
9		Dole Carpet Co.	Pd. them on %					125	00
11	✓	Expense	Pd. for stationery	4	47				
13		Seth J. Byron	Withdraws capital					1500	00
		Expense	Pd. gas bill	13	50				
15	✓	Bills Payable	Pd. Lowell Carpet Co.					475	87
		Interest	Paid on above note					5	01
18		Dole Carpet Co.	Paid on %					100	00
20		Lee, Mott, & Co.	Paid on %					121	00
22	✓	Mdse.	Bot. of Leland & Co.			146	32		
		Whitney, Morgan, & Co.	Pd. them on %					175	00
24	✓	Mdse.	Bot. of Julian McLain			62	00		
25	✓	Expense	Pd. insurance	60	00				
		Discount	on Maurice Kirby's note						71
27		Bills Payable	Pd. J. Shepherd					156	00
		Whitney, Morgan, & Co.	Pd. them on %					125	00
	✓	Mdse.	Bot. of Leland & Co.			187	50		
29		Dole Carpet Co.	Pd. them to bal %					* 227	78
		Bills Payable	Pd. Dole Carpet Co.					153	00
		Mdse.	Bot. of Star Mfg. Co.			58	50		
		Lee, Mott, & Co.	Pd. to bal.					121	00
31		Bills Payable	Pd. Shaub, Raub, & Co.					68	50
		Interest	Due on above note						15
		Whitney, Morgan, & Co.	to bal. %					121	61
		Bills Payable	Pd. Star Mfg. Co.					84	00
		Expense Dr.	Total for month	170	47			170	47
		Mdse. Dr.	Bot. for cash			1529	32	1529	32
		Cash Cr.	Total paid					5359	42
		* Amount	on hand					16703	00
								22062	42

* To be written in red ink.

XXI

COMMISSION BUSINESS

The commission business, perhaps, best illustrates the use of the special column books.

A Commission Business is business done by commission merchants.

A Commission Merchant is one who buys or sells merchandise on commission.

Commission is the compensation for buying or selling property for another party.

A shipment is merchandise *sent* by one party to another to be sold on commission.

A Consignment is merchandise *received* from one party by another to be sold on commission.

The **Consignor** is the person who consigns property to another party.

The **Consignee** is the person to whom property is consigned by another party.

An Account Sales is a statement made by the consignee, to the consignor, of the expenses, charges, sales, and net proceeds of a consignment.

The **Net Proceeds** are the amount due the consignor, from the sales of the consignment, after all the charges have been deducted.

When merchandise is shipped to another party to be sold on commission, it still belongs to the shipper; but it should be distinguished from merchandise remaining in the store. It should not be charged to the consignee; for he has not purchased it. Hence, it is the custom to charge such ventures to shipment account. In this case the shipment should be debited for the cost and credited for the net proceeds.

When an account sales of a shipment is received, the net proceeds should be credited, and closed into the Loss and Gain Account. If the cost is *less* than the net proceeds, there is a gain; if *more*, there is a loss.

Sometimes goods are shipped from one party to another, to be sold on *joint* accounts, and risk of the consignor and the consignee, to share alike in the gains and losses.

Such ventures are called **Joint Shipments.** In such cases the consignee adjusts the gains and losses and remits the net proceeds so that the entries in the consignor's books differ in no respect from those of a common shipment.

Hence, we have the following

Rules for Shipments

I. Debit shipment account for the value of the merchandise shipped and the expense incurred — *for the whole cost.*

II. Credit shipment account for the net proceeds of the sales.

III. Close Shipment Account into the Loss and Gain Account.

When shipments are made to the same party frequently, or at stated intervals, all such shipments may be classed under one general account, and closed at the end of the month.

But if it is thought best to keep each venture separate, then they may be distinguished by numbers, i.e. shipment to Hobert Bros., No. 1; shipment to Hobert Bros., No. 2, etc.

The Outward Invoice

Whenever a shipment is made, the consignor should advise the consignee of the fact, by mail or otherwise, giving him such instructions as are necessary in regard to the disposal of the goods.

This may be done by a letter, informally stating the amount of merchandise shipped, or by a formal outward invoice, giving cost of goods and expenses incurred.

Consignments

Merchandise received to be sold on commission should not be credited to the consignor because it has not been bought of him by the consignee. Hence, an account is kept, not with the consignor, but with the consignment. It is debited for all expense incurred and for services rendered, and credited for receipts from sales. When the goods are all disposed of, the net proceeds should be remitted, or credited, to the consignor.

Hence, we have the following

Rules for Consignment

I. Debit Consignment Account for *payments* made by the consignee, for *charges* of the consignee, and for the consignor's *net proceeds*.

II. Credit Consignment Account for all receipts from sales.

Commission merchants adopt various forms for recording transactions according to the kind of business in which they are engaged, but it would be useless to attempt to illustrate all these methods in an elementary treatise.

The student should thoroughly master the principles for making the records of a commission business, and then he will easily understand the method adopted in any set of books of which he may be called to take charge.

When there are only a few consignments, it is sometimes thought best to make no changes in the number or forms of the books. In this case a memorandum of the receipt of the goods is kept in a blotter and also of the sales; but all the permanent entries are made in the books already described.

It should be remarked that the Consignment Account is opened merely for *convenience*, and should be closed as soon as all the goods are sold. This is done by debiting the account for enough to balance it, and crediting the proper accounts for an equal amount.

Special-Column Journal

The work of recording the transactions in connection with the commission business may be greatly abridged by employing the special-column journal day book, as the only book of original entry, and using a memorandum book for checking receipts and sales.

The following example illustrates the method of opening and closing consignments by making use of special columns in the journal.

The *items* of the sundries columns should be posted daily. The *footings* of the special columns should be posted at the end of the month.

The sum of the footings of the debit columns should equal the sum of the footings of the credit columns.

The ledger does not differ from those already explained.

SPECIAL-COLUMN JOURNAL

Cash	Sundries	L. F.	Boston, Dec. 1, 19—	L. F.	Sundries	Cash	Cartage	Storage	Advertising	Commission
1000 00			*Cash* Invested *Student*		1000 00					
			4							
	37 50		*Jones's Consgt.* *Cash* Freight on 100 bbls. flour from A. D. Jones			37 50				
			7							
	18 20		*Newell's Consgt.* *Cash* Freight on 50 bbls. potatoes from J. Newell			18 20				
			9							
425 00			*Cash* *Jones's Consgt.* Sold Levi Scott 100 bbls. flour $4.25		425 00					
			11							
	387 50	Pages of the Ledger to which the items are posted	*Jones's Consgt.* *Cash* Closed consgt. and remitted net proceeds to A. D. Jones	Pages of the Ledger to which the items are posted		368 13	3 50	4 00	1 25	10 62
			13							
	15 00		*Porter's Consgt.* *Cash* Freight on 100 bbls. apples from E. W. Porter			15 00				
			15							
	75 00		*Bills Rec.* *Newell's Consgt.* Sold J. F. Joy, 50 bbls. potatoes $1.50		75 00					
			18							
	56 80		*Newell's Consgt.* *Bills Payable* Closed consgt. and remitted our note for net proceeds		50 67		1 75	2 00	50	1 88
			19							
	11 25		*Rowell's Consgt.* *Cash* Freight on 75 bbls. potatoes from D. B. Rowell			11 25				
			22							
	250 00		*Paul Davis* *Porter's Consgt.* 100 bbls. apples $2.50, on %		250 00					
			25							
	235 00		*Porter's Consgt.* *E. W. Porter* Closed consgt. and gave E. W. Porter credit for his net proceeds		222 75		2 75	2 50	75	6 25
			26							
120 00			*Cash* *Rowell's Consgt.* 75 bbls. potatoes $1.60		120 00					
			28							
	108 75		*Rowell's Consgt.* *Cash* Closed consgt. and remitted net proceeds			102 25	1 50	1 50	50	3 00
1545 00	1195 00				2143 42	552 33	9 50	10 00	3 00	21 75
	1545 00		*Cash, Dr.* *Cash, Cr.*		552 33					
			Cartage, Cr.		9 50					
			Storage, Cr.		10 00					
			Advertising, Cr.		3 00					
			Commission, Cr.		21 75					
	4027 00		*Total Debits* *Total Credits*		2740 00					

Take a sheet of plain paper and rule it like the above journal, then copy the journal as it is given above.

The student will post, make trial balance, close the ledger, and find his net capital $1044.25.

Perform the following example in the same manner as you did the one preceding.

December 1, 1911. Thomas Pond invests cash $1500.

December 2. Received from J. N. Wood, to be sold on commission, 50 bbls. potatoes. Paid freight $17.50.

December 5. Received from W. R. Rich, to be sold on commission, 125 bbls. flour. Paid freight $19.62.

December 9. Sold T. B. Scott for cash, 50 bbls. potatoes @ $1.75. (Wood's consignment.)

December 11. Closed Wood's consignment and remitted net proceeds in cash. Charged for cartage $1.25; storage 67¢; advertising 75¢.; commission 2½ per cent on sales.

December 14. Received from D. L. Pierce, to be sold on commission, 75 bbls. apples. Paid freight $11.25.

December 17. Sold Jason Call on his note, 125 bbls. flour @ $4.17. (Rich's consignment.)

Closed Rich's consignment and remitted our note for net proceeds. Charged for cartage $3.75; storage $2.67; advertising $1.25; commission 2½ per cent on sales.

December 23. Sold Edwin Rice, on account, 75 bbls. apples @ $2.25. (Pierce's consignment.)

Closed Pierce's consignment and credited the net proceeds to D. L. Pierce on account. Charged for cartage $1.87; storage $1.25; advertising 62¢.; commission 2½ per cent on sales.

Net capital at closing $1533.52.

Post, take a trial balance, close the ledger, and find Pond's net capital $1533.52.

Only a few special-column books have been spoken of in this chapter. There may be, however, special-column cash books, sales books, purchase books, etc., depending upon the nature and enormity of the business. The same general principles apply to all special-column books.

XXII

SINGLE ENTRY

Any method of bookkeeping that does not have a debit and credit for every amount posted into the ledger is single entry.

Single entry does not admit of any proof as to the correctness of the work and does not fully show the condition of the business.

In single entry only Personal Accounts are kept in the ledger, as a general rule, although often a Cash Account is kept and sometimes other property accounts are kept by single entry.

Single entry does not require equal debits and credits for each entry, so it is impossible to take a trial balance to determine whether the books are correct or not. Since the property and other accounts which show loss or gain are not usually kept by single entry, it is not possible to prepare a statement of losses and gains, nor does this method furnish the necessary information for preparing a statement of resources and liabilities.

Books Used in Single Entry

The **Day Book** is a book of original entry, in which a record of business transactions is made, at the time, under the date, and in the order of their occurrence.

The **Ledger** is a book of accounts, in which debits and credits are arranged under their proper titles.

The **Cash Book** is a book in which a record is kept of all cash funds on hand, received, and disbursed.

The **Inventory Book** is a book in which a record is made of all merchandise on hand when the books are opened; and of that which remains unsold when the books are closed.

The **Invoice Book** is a book in which a record is kept of merchandise *bought.*

The **Sales Book** is a book in which a record is kept of merchandise *sold.*

The **Bill Book** is a book in which a record is kept of the bills receivable and the bills payable, connected with a business.

The **Pass Book** is a book furnished by a bank to a depositor in which the teller keeps the depositor's bank account.

The **Check Book** is a book of blank checks which the depositor fills out and issues, and in which he keeps his account with the bank.

The **Order Book** is a book in which a memorandum is kept of orders to be filled, and of sales and purchases to be transferred to other books.

One Form of a Single Entry Cash Book

		CASH	Dr.		Cr.	
19—						
Jan.	4	Amount on hand	79	84		
"	7	Paid for pair of boots			3	75
"	9	Rec'd for wages, 6 days at $2.50	15	00		
		Paid for board this week			4	00
"	12	" " pair of gloves			1	25
"	16	Rec'd for wages, 5½ days @ $2.50	13	75		
		Paid for board this week			4	00
"	19	" Sargent & Sons for coat			7	75
"	20	" " " for vest			1	25
"	21	" paper 17¢; envelopes 8¢; stamps 30¢				55
"	23	Rec'd for wages, 6 days	15	00		
		Paid for board this week			4	00
"	26	" " hat of Warner & Co.			2	75
"	27	" " hdkf. of " "				37
"	30	Rec'd for wages, 4½ days	11	25		
		Paid for board this week			4	00
"		Balance on hand*			101	17
			134	84	134	84
Feb.	1	Balance brought down	101	17		

* To be written in red ink.

Formerly bookkeepers commenced every cash debit with "To," and every cash credit with "By." But the modern practice is to omit these terms. The student may omit or retain them, as he pleases.

The use of the journal and cash book differs somewhat from their use in double entry, but the other books are used in practically the same way in either single or double entry.

The simplest form of a single entry cash book is ruled like the journal day book that you have been using in double entry bookkeeping, the first money column being used for debit items and the second money column for credit items.

The various forms of single entry cash books are illustrated on the preceding and following pages.

Examples Illustrating the Single Entry Cash Book

Enter the following in a single entry cash book using the first form and then the second. In the second form balance the cash at the end of each week.

February 1, 19—. Amount on hand $101.17.

February 3. Paid cash for pair of mittens 67¢.

February 4. Paid for pair of overalls 72¢.

February 6. Received for work, 6 days @ $2.75. Paid for board this week $4.25.

February 8. Paid for dictionary $1.75. Paid for slippers $1.12.

February 13. Received for work, 6 days @ $2.75. Paid for board this week $4.25.

February 15. Paid for pair rubber boots $3.75.

February 18. Paid for 6 collars @ 15¢ each. Paid for 2 pairs cuffs @ 30¢.

February 20. Received for work, 6 days @ $2.75. Paid for board this week $4.25.

February 23. Paid for stationery and postage 71¢.

February 24. Paid for pair socks 50¢.

February 25. Paid for books of Draper $4.50.

February 27. Received for wages, 6 days @ $2.75. Paid for board this week $4.25. Paid for sundries 23¢. Deposited in savings bank $100. Balance on hand at closing $34.72.

Day Book

The ledger is not usually regarded as a book of original entry. The record of a business transaction is generally first made in some other book, and then, in a condensed form, transferred to the ledger. The most common book of original entry is the day book.

In *double entry* the day book should contain a concise history of every business transaction, in the order and under the date of its occurrence.

But in *single entry* only such transactions as produce debits and credits are recorded in the day book. Exchanges of mer-

Another Form of a Single Entry Cash Book

CASH (Received) *Dr.*

1911						
Apr.	5	To amount on hand	134	16		
"	6	" cash sales this day	12	00		
"	7	" " " " "	15	00		
"	8	" rec'd of Henry J. Turner on %	50	00		
		" " for sales this day	18	00		
"	9	" " " " " "	11	50		
"	10	" " " horse and carriage	2	50		
		" " " sales this day	21	75	264	91
Apr.	12	To balance from last week			228	36
		" rec'd for sales this day	13	50		
"	13	" " " " " "	18	00		
"	14	" " of Henry Turner to bal. %	36	00		
		" " for sales this day	7	00		
"	15	" " " " " "	19	50		
"	16	" " of S. W. McCall to bal. %	13	62		
		" " for sales this day	14	50		
"	17	" " " " " "	27	10	149	22
					377	58
Apr.	19	To balance from last week			195	01
		" rec'd for sales this day	14	00		
"	20	" " " " " "	13	00		
"	21	" " of Solomon Gilman on %	10	00		
		" " for sales this day	17	50		
"	22	" " " " " "	7	25		
"	23	" " " " " "	11	75		
"	24	" " " " " "	28	50	102	00
					297	01
Apr.	26	To balance from last week			260	90
		" rec'd for sales this day	18	75		
"	27	" " " " " "	17	00		
"	28	" " of Solomon Gilman to bal. %	2	30		
		" " for sales this day	14	00		
"	29	" " " " "	19	00		
		" " of S. W. McCall to bal. %	8	85		
"	30	" " for sales this day	28	00	107	90
					368	80
May	1	To balance from last month			317	76

CASH (Paid) *Cr.*

1911						
Apr.	5	By paid for drayage	2	50		
"	7	" " " fixing pump	3	75		
"	8	" " gas bill	13	21		
"	9	" " for stationery	17	09	36	55
Apr.	10	* By amount on hand			228	36
					264	91
Apr.	13	By paid for repairing store	6	33		
"	15	" " " bill of goods of Desser & Ayer	176	24	182	57
Apr.	17	* By amount on hand			195	01
					377	58
Apr.	20	By paid for painting	9	00		
"	23	" " " printing circulars	10	00		
		" " " papering chambers	4	75		
		" " " meat bill	12	36	36	11
Apr.	24	* By balance on hand			260	90
					297	01
Apr.	26	By paid insurance	14	00		
"	28	" " Richard S. Wool to bal. %	10	04		
"	29	" " clerk hire	27	00	51	04
Apr.	30	* By balance, on hand			317	76
					368	80

* To be written in red ink.

chandise for cash and for notes are not recorded in the day book. Sales and purchases on account, cash received and paid on account, and notes received or issued on account, are recorded in day book.

But it should be remembered that cash received and paid on account should *also* be entered in the cash book and that notes received and issued on account should also be entered in the bill book.

Thus it will be perceived that there are six classes of business transactions (besides those connected with the proprietor or partners) to be recorded in a single entry day book, namely: merchandise bought on account; merchandise sold on account; cash received on account; cash paid on account; notes received on account; notes issued on account.

Hence we have the following

Rules for Recording Business Transactions in Single Entry

1. Merchandise exchanged for merchandise, no record.
2. Merchandise exchanged for cash, record in cash book.
3. Merchandise exchanged for note, record in bill book.
4. Merchandise bought or sold on account, record in day book.
5. Cash received or paid on account, record in day book and cash book.
6. Notes received or issued on account, record in day book and bill book.
7. Transactions with the proprietor and partners should be recorded in the day book, as directed in the rules previously given for debits and credits of the proprietor's account in the ledger of original entry.

It will be noticed that when cash *received* on account is *credited* to the *payer* in the day book, the same amount must be placed on the *debit* side of the cash book. So, while cash *paid* is *debited* to the receiver in the day book, it must be placed on the *credit* side of the cash book.

Such a transaction as is stated in Rule 1 above is called barter, which is the simplest form of a business transaction. Each party gives and receives the same amount of value and therefore neither party remains a debtor to the other.

SKELETON PAGE OF THE DAY-BOOK

Town or City, State, Month, Day, Year

Date Column Year Month and Day	Page of the Ledger to which it is posted	Name of person and Dr. or Cr. Condensed record of the transactions stating the articles bought or sold, the quantity and the price of each	Item Columns Dollars	Item Columns Cents	Total Columns Dollars	Total Columns Cents
		Amount carried forward			Footing	

The single entry day book is ruled the same as the first form of the single entry cash book above described or like the ordinary double entry journal day book. Since the method of single entry does not require a debit and credit for each transaction, it is necessary to indicate for each transaction whether the account is to be debited or credited.

The first money column in the single entry day book is used for the individual items and the second money column is used for the totals. If there is only one item in a transaction, that item is placed in the second money column.

The following illustrates the single entry day book.

The single entry day book, which contains a record of the business transaction together with the name of the account to be debited or credited, is called the journal day book because it combines the features of both these books.

You will notice in studying the model single entry journal day book on the following pages that all records of transactions which do not affect personal accounts have been omitted.

It is necessary to keep a cash book or cash account in any single entry set, and cash in that case will be treated just as if it were a person.

The journal day book entries should be separated from each other by a ruled line with space in the middle of the line for the date, or, as in the examples on the next page, the date may be placed in the first left hand column.

Compare the single entry journal day book given on the two following pages with the double entry journal day book you have already studied.

New Hampton, N.H., June 1, 19—

		DANIEL G. MOODY, *Cr.*				
		By mdse. per invoice book,	1990	08		
		" Peter C. Snow's note and int. per B.B.	604	60		
	82	" Charles Gray, due on %,	163			
		" John J. Harper, due on %,	132			
		" cash,	1110	32	4000	
		WILLIAM T. COLLINS, *Cr.*				
		By store and fixtures invested,	2800			
		" cash invested,	1600		4400	
	82	CONTRA, *Dr.*				
		To Edwin F. Cate, balance due him on %,	160			
		" Josiah H. Conner, bal. due him on %,	140			
		" Leonard Cooper, " " " "	100		400	
		CHARLES GRAY, *Dr.*				
	82	To amount due D. G. Moody,			163	
		JOHN J. HARPER, *Dr.*				
	82	To amount due D. G. Moody on his investment,			132	
		EDWIN F. CATE, *Cr.*				
	82	By amount due from W. T. Collins, assumed by firm,			160	
		JOSIAH H. CONNER, *Cr.*				
	83	By amount due from W. T. Collins, assumed by firm,			140	
		LEONARD COOPER, *Cr.*				
	83	By amount due from W. T. Collins, assumed by firm,			100	
		EDWIN F. CATE, *Dr.*				
	82	To bill mdse., (sales book, page 73),			240	50
4		E. P. PRESCOTT & Co., *Cr.*				
	83	By bill mdse., per invoice book,			631	
5		JOSIAH H. CONNER, *Dr.*				
	83	To cash to balance %,			140	
		Amount forward,			10,506	50

New Hampton, N.H., June 7, 19—

		Amount brought forward.			10,506	50
	83	LEONARD COOPER, To cash to balance %,	*Dr.*		100	
9	82	JOHN J. HARPER, To bill mdse. per sales book,	*Dr.*		332	
11	83	WILLIAM T. COLLINS (private %), To cash on private %,	*Dr.*		32	
12	83	DANIEL G. MOODY (private %), To paid gas bill for him,	*Dr.*		17	
14	83	JOSIAH H. CONNER, To mdse. per sales book,	*Dr.*		837	50
14	83	E. P. PRESCOTT & Co., To cash to balance %,	*Dr.*		631	
17	82	JOHN J. HARPER, By cash on %,	*Cr.*		400	
19	83	DANIEL G. MOODY (private %), To cash on %,	*Dr.*		13	
		Amount forward,			12,869	00

New Hampton, N.H., June 22, 19—

		Amount brought forward,			12,869	00
	83	WILLIAM T. COLLINS (private %), *Dr.* To bill mdse. per sales book,			14	
23	83	JOSIAH H. CONNER, *Cr.* By cash on %,			700	
28	83	WILLIAM T. COLLINS (private %), *Dr.* To cash on %,			17	
		Total footing of Day Book,			13,600	
	82	DANIEL G. MOODY, *Cr.* By ½ net gain for month,			58	92
	82	WILLIAM T. COLLINS, *Cr.* By ½ net gain for month,			58	92
		Total footing, including net gain,			13,717	84

The Single Entry Ledger

A ledger may be used as a book of original entry. In this case sometimes two pages are used for an account, sometimes only one. When two pages are taken, the debits are placed on the left hand page, the credits on the right. This form is now seldom used and will be readily understood without any further explanation.

When only one page is occupied by an account, the debits are written in the first set of money columns, the credits in the second. The ledger of this form is similar to the first form cash book already explained. It is ruled, dated, written, and closed in a similar manner.

SINGLE ENTRY LEDGER

HENRY W. BROWN

			Dr.		*Cr.*	
19—						
March	1	Invests Real Estate			2150	00
		Owes Cyrus Leland on %	74	62		
	3	Invests John D. Symonds' Note			275	00
	6	" Merchandise			3162	50
	9	" Cash			1204	75
	17	" Real Estate			475	00
	23	Withdraws Cash	367	40		
	27	" Real Estate	634	00		
	31	Net gain this month			69	17
		Balance — Net Capital *	6260	40		
		Balance brought down	7336	42	7336	42
April	1				6260	40

* To be written in red ink.

Standard Ledger

When the ledger is used as a book of original record, the form already explained is usually employed. But when it ceases to be a book of original entry, and becomes one of transferred results, a different form is more convenient. In this case one page is used for an account, but it is divided *vertically* into halves; usually by a double blue line — the *left* hand half for debits, the *right* hand for credits.

The name of the account is written on the first line, with Dr. on the left and Cr. on the right.

The first column on the left is for debit dates, the second for

explanations, the third for the pages of the book of original record from which the entries are posted, the fourth and fifth for debit amounts.

The credit side is for credit entries, and is similar to the debit.

This is the common form of the ledger and all other forms are little used in comparison. It is frequently called the *Standard Ledger.*

DIAGRAM OF THE STANDARD LEDGER

Dr. NAME Cr.

Debit date Column Year Month Day	Explanation Column	Page of the Day-Book	Debit Money Columns Dollars	Debit Money Columns Cents	Credit date Column Year Month Day	Explanation Column	Page of the Day-Book	Credit Money Columns Dollars	Credit Money Columns Cents
	The article for which the person is debited, or sundries					The article for which the person is credited, or sundries			
						By Balance*		$	
			Footing					Footing	
Date	To Balance		$						

*To be written in red ink.

EXAMPLES IN SINGLE ENTRY BOOKKEEPING

In the following examples use only the single entry cash book (second form), the single entry journal, and the standard ledger.

For additional examples in single entry the student may use the examples given under Personal Accounts in the first part of this book (pages 23–26).

Example I

Laconia, May 1, 1911. (The learner will write his own town and state instead of the one given above.) A. B. Meservey commences business this day, with the following resources and liabilities:

Resources

Cash, per cash book $1956.18; a note dated April 13, 1911, at 30 days, signed by John S. Russell, as per bill book $342.36; an account against Walter Davenport, per day book $131.27; merchandise per inventory $1037.50.

Liabilities

A. B. Meservey owes the following debts, to be paid from the business:

A note dated April 10, 1911, at 30 days, payable to Robert Ferry, as per bill book $93.76; an account favor of Hill Brothers, per day book $87.49; an account favor of Roland C. Foss $39.18.

The following is the form of journal record for the resources and liabilities.

JOURNAL

LACONIA, MAY 1, 19—

	A. B. MESERVEY *Cr.*				
	For his investment, viz.				
	Cash, per cash book	1956	18		
	Bills Receivable, per bill book	342	36		
	Walter Davenport, from old %	131	27		
	Merchandise, per inventory	1037	50	3467	31
	A. B. MESERVEY *Dr.*				
	For his liabilities, viz.				
	Bills payable, per bill book	93	76		
	Hill Brothers, from old %	87	49		
	Roland C. Foss, from old %	39	18	220	43

May 3. Paid cash for books for use in the office $8.75. Sold Charles Paige, for cash, 4 bbls. flour @ 5.25. Sold Walter Davenport, on account, 2 tons bran, @ $13; 1 ton mixed feed $14.50.

May 5. Paid Hill Brothers cash on account $25. Sold W. H. Warren, on his note at 10 days, 5 tons middlings, @ $15.50.

Bought of Union Milling Company, on account, 15 tons mixed corn and oats @ $15; 3 tons cottonseed meal @ $21.75.

Received cash of Walter Davenport, on account, $75. Paid cash for postage stamps $1.

May 8. Paid Roland C. Foss cash on account $30. Sold Peter Osgood, on account, 10 bbls. flour, @ $5.25; 3 tons bran, @ $13; 5 tons corn and oats, @ $16. Paid cash for drayage $3.75.

May 9. Sold William G. Green, on his note at 10 days, 1 ton cottonseed meal @ $22.50; 10 bbls. flour @ $5.25. Paid Union Milling Company cash on account $100.

May 10. Paid cash for note, favor of Robert Ferry, due this day $93.76. Received cash of Peter Osgood, on account, $62.50. Bought of Union Milling Company, on account, 20 bbls. corn meal @ $2.10; 10 bbls. rye flour @ $3.25; 5 bbls. rolled oats @ $5.25.

May 12. Sold James Wilson for cash 5 tons bran @ $13. Sold Roland C. Foss, on account, 3 tons mixed feed, @ $14.50; 5 tons middlings @ $15.50; 2 tons gluten meal @ $17.

May 13. Received cash from John S. Russell for his note $342.36.

May 15. Sold Elijah Shaw for cash 10 bbls. flour @ $5.40; 1 bbl. rolled oats $5.75. Paid cash for store expenses $1.75.

Bought of Hill Brothers, on account, 12 tons bran @ $12.50; 4 tons middlings @ $14.50.

Received cash for H. W. Warren's note due this day $77.50.

May 16. Paid Union Milling Company cash on account $100.

May 18. Paid Hill Brothers cash on account $75.

May 19. Received cash of Walter Davenport, on account, $50.

Received cash for Wm. G. Green's note $75.

May 20. Sold Samuel Parsons, on his note at 3 mos., 15 bbls. flour @ $5.50; 2 tons cottonseed meal @ $22.50; 10 bbls. rye flour @ $3.65.

May 22. Received cash of Roland C. Foss, on account, $100. Bought of Arthur Fletcher, on our note at 30 days, 50 bbls. flour @ $4.75.

May 24. Received cash of Peter Osgood, on account, $59. Sold Abraham Choat, on his note at 4 months, 3 tons mixed feed @ $14.50; 5 tons corn and oats @ $16.

May 25. Paid Union Milling Company cash on account $87.50. Paid cash for petty expenses $2.14.

May 27. A. B. Meservey withdraws cash from his investment $200.

May 29. Received cash of Roland C. Foss, to balance his account $45.82.

May 31. Paid Hill Brothers cash on account $47.89. A. B. Meservey adds to his investment, cash $355.75.

STATEMENT OF RESOURCES AND LIABILITIES

Invested by proprietor May 1	3467.31				
Added to investment May 31	355.75	3823	06		
Total investment					
Debts assumed by proprietor	220.43				
Cash withdrawn May 27	200.00				
Total deducted from investment		420	43		
Net investment for May				3402	63
Resources at closing, May 31					
Cash, per cash book		2568	32		
Notes, per bill book		287	50		
Accts. per day book		96	77		
Mdse. per inventory		993	00		
Total resources				3945	59
DEBTS DUE FROM THE BUSINESS					
Note, per bill book		237	50		
Accts. per day book		251	10		
Total debts				488	60
Net capital at closing				3456	99
Deduct net investment				3402	63
Net gain for May				54	36

The net gain should now be credited to the proprietor in the day book, and then be posted to the ledger. Then the proprietor's % should be closed. The balance brought down will be his net capital at the beginning of the next period.

Example II

The following are some of the business transactions of ——— ——— ———, a retail dealer in groceries, supposed to be located in the pupil's own town or city.

The blank above may be filled with the pupil's name.

Memoranda

July 1, 19—. (Student's name) invests in business as follows: Merchandise as estimated $1362.50; cash as per cash book $326.14.

July 5. Sold James T. Emery, on account, 2 bbls. flour @ $6.50; 7 bags meal @ 80¢.

July 6. Sold Silas K. Wright, on account, 100 lbs. granulated sugar @ 6¢; 100 lbs. "C" sugar @ 5½¢. Received cash for sales $12. (Cash Dr.)

July 7. Sold Peter Kingsley, on account, 100 lbs. codfish @ 6¢; 2 bbls. pork @ $10. Paid cash for butter $13.60. (Cash Cr.)

July 8. Bought of Henry Callender and Company, on account, bill of merchandise $134.47. Received cash for sales this day $31.17.

July 10. Sold James T. Emery, on account, 31 lbs. butter @ 27¢; 7 lbs. cheese @ 15¢; 2 lbs. honey @ 25¢.

July 12. Peter Kingsley has paid cash on account $12. Received cash for sales $19.62.

July 14. Sold Silas K. Wright, on account, 4 cans salmon @ 16¢; 6 cans peaches @ 35¢. Received cash for sales $28.40. Paid Henry Callender and Company cash on account $50.

July 17. Sold Peter Kingsley, on account, 9 lbs. rice @ 8¢; 12 lbs. graham @ 4¢. Received cash of James T. Emery, on account, $10.

July 20. Bought of Henry Callender and Company bill of merchandise $77.41. Sold Peter Kingsley, on account, 4 lbs. mixed coffee @ 35¢; 1 lb. tea @ 65¢.

July 23. Received cash of Silas K. Wright on account $6.50.

July 26. Sold James T. Emery, on account, 4 lbs. raisins @ 17¢; 2 lbs. English currants @ 10¢.

July 28. Paid Henry Callender and Company cash on account $50. Received cash for sales $24.50.

July 30. Sold Silas K. Wright, on account, 5 gals. oil @ 15¢; 2 cans beef @ 22¢; 1 can tongue 62¢. Received cash for sales $11.46. Paid cash for expenses $37.50.

The statement on the next page shows the condition of the business at the beginning of the month and the resources at closing.

STATEMENT.

RESOURCES, JULY 1				
Mdse., as estimated	1362	50		
Cash, per cash book	326	14		
Net capital invested			1688	64
RESOURCES AT CLOSING				
Mdse., as estimated	1447	94		
Cash per cash book	330	69		
James T. Emery owes on %	19	40		
Silas K. Wright " "	9	55		
Peter Kingsley " "	17	25		
Total assets at closing			1824	83
DEBTS AT CLOSING				
Henry Callender & Co. due them on %			111	88
Net capital at closing			1712	95
Deduct net capital July 1			1688	64
* Net gain for the month			24	31

* To be written in red ink.

Find the gain or loss at the end of the month.

XXIII

DIRECTIONS FOR CHANGING A SET OF BOOKS FROM SINGLE ENTRY TO DOUBLE ENTRY

First. Carefully prepare a list of the firm's resources and liabilities, taking as resources merchandise on hand, cash on hand, bills receivable, real estate, furniture, unexpired rent and insurance, personal accounts that owe the firm, and every other account that owes the firm money.

Take as liabilities bills payable and all personal and other accounts to which you owe money. These resources and liabilities will be found in your single entry ledger or will be given you if you have not such property accounts in your single entry ledger. The difference between the firm's resources and liabilities will be the firm's net capital.

Second. Enter the resources and liabilities in the journal and post them to the ledger, debiting the resources and crediting the liabilities and net capital to their respective accounts.

Third. Open a cash book and place the balance of cash on hand on the debit side.

Fourth. Open such incidental accounts as you desire to keep, such as expense, rent, furniture, loss and gain, etc.

Fifth. If in the single entry set you did not credit the person that gave you a note when it was given, do so now, and if you did not debit the accounts to which you gave your notes when they were given, do so now.

Your books are now in proper condition to carry on a double entry set of books, which can be done as explained in the chapter on double entry pages.

Examples

Change the single entry sets that you have just completed to double entry by the method just explained.

XXIV

BOOKKEEPING EXAMINATION QUESTIONS

This section contains examination questions in bookkeeping given in various states and cities throughout the United States.

Each examination is to be solved by the student under the direction of the teacher and will serve as a review of the principles of bookkeeping. Use loose sheets for these examinations.

ELEMENTARY BOOKKEEPING

Answer the first six questions, either question seven or question eight and one question selected from the last four.

1. January 1, 1907. You are a bookkeeper for Payne and Smith, who have been conducting a grain and seed store and who decide to open a new set of books, transferring all accounts from the old ledger. These accounts are as follows: merchandise on hand, $1435.50; cash on hand and in bank $975; furniture and fixtures $380; accounts with customers, John Williams $476, James Wells $390; accounts with creditors, L. C. Fern $450, David Roth $112; the firm holds the promissory note of Charles Watson for $286, due January 19, 1907, and has outstanding its own note for $1000 in favor of Henry Bruce, due February 15, 1907. Edward Payne's interest in the business is $1428.50; Judson Smith's interest is $952. (The ledger accounts in question 1 should be stated in form of a journal entry.)

Open the new cash book and journal, which will be kept by double entry. The new ledger will be opened when required.

[Special Instructions. — Enter *all* cash items in cash book. Cash should be posted from cash book only.

The journal and the cash book required are books of *original entry*. Such books are accepted as evidence in court, and for this reason the details of every entry should be so clearly explained as to make the meaning certain.]

2–4. Enter the following transactions in the proper books:

January 2. Bought for cash a new stove for store use $25; letter-heads, envelopes, blotters, and stamps $20.

January 5. Sold Charles Watson, on his note at 30 days, 200 bu. oats @ 40¢, $80.

January 7. Bought of L. C. Fern, on account, 150 bu. clover seed @ $3.50 and 300 bu. oats @ 30¢, $615. Terms, $^{1}/_{10}$ $^{n}/_{30}$ (1 per cent off if paid in 10 days, net 30 days).

January 9. Insured contents of store for $2000, paying one year's premium in cash $24. (Open an account with insurance.)

January 10. Payne drew $25 for private use.

January 11. Sold John Williams on account 50 bu. clover seed @ $4 and 200 bu. wheat @ $1, total $400. Terms, cash in 10 days.

January 12. Gave L. C. Fern, to apply on account, a draft at 10 days' sight on James Wells; amount $300.

January 16. Paid L. C. Fern's invoice of the 7th instant, taking the discount. Amount of invoice $615; discount $6.15.

January 17. Bought of Haynes and Boyd for cash 200 bu. millet @ 90¢; 100 bu. clover seed @ $3.50; total $530.

January 18. Discounted at the bank the firm's note at 30 days from date; face of note $500; discount $2.50. Also discounted Charles Watson's note for $80, due February 4, discount 23¢. Proceeds placed to firm's credit in bank. No interest will be reckoned except on bills discounted at bank.

January 19. Charles Watson paid his note in full $286.

January 21. Received from John Williams, in full of his invoice of 11th instant, his sight draft on John Weldon for $400, which Weldon has this day honored.

January 31. Paid bookkeeper's salary for month $40; rent $50; allowed each partner $75 a month for services in the store.

5–6. Post all entries made in questions 1–4, including cash.

7. Prepare a six-column balance sheet, setting forth the net profit or loss, dividing it between the partners in the proportion of $\frac{2}{3}$ to Payne and $\frac{1}{3}$ to Smith. Consider only $\frac{1}{12}$ of the cost of the insurance as a part of this month's expenses, the remainder to be carried as an inventory. The merchandise on hand January 31 is valued at $2132. Furniture and fixtures remain unchanged.

8. Transfer into the Loss and Gain Account the balances or parts of balances of these accounts which represent losses or gains, using the data given in question 7. Then adjust the partners' accounts.

9. Write the draft mentioned in the transaction of January 12 as it would appear after presentation to Wells. Write the entries that Fern and Wells would make on their books for this draft.

10. Write out the invoice received from L. C. Fern on January 7. Assuming that Payne and Smith do business at Centennial National Bank, write under the correct date the check that should be given in payment.

11. Name *two* books of original entry and *one* auxiliary book which might be used in the above business. In what essential respects does a set of books kept by single entry differ from a set kept by double entry?

12. Write the note of Charles Watson mentioned in question 1, dating it December 20, 1906. If this note had been made to bear interest at 5 per cent per annum and had been discounted at the bank on January 4 at 6 per cent per annum, what would have been Payne and Smith's cash-book entries? (Suggestion — First, draw up a journal entry which would adequately treat this transaction and transform this to a form suitable for entry in the cash book.)

ELEMENTARY BOOKKEEPING

Answer questions 1–8 *and two of the others.*

1–4. C. F. Upton, having purchased the interest of his partner in the wholesale grocery business at Oswego, N. Y., begins business alone on July 1, 1908. Make the opening journal entry for his total resources, which were as follows: cash on hand and in bank $1128.75; merchandise on hand $4621.30; furniture and fixtures $420; accounts with customers, Wheeler and Wood $72.10, Phillips and Company $124. Also open cash book with amount on hand.

Enter the following items in cash book and journal:

[Special Instructions. — Enter cash items in cash book only.

The journal and the cash book required are books of *original entry*. Such books are accepted as evidence in court and for this reason every entry should be so clearly explained as to make the meaning certain.]

July 1. Paid rent of store for one month $75.

July 2. Sold George F. Wing, Baldwinsville, N. Y., on account, 24 lbs. Baker's cocoa @ 60¢ and 4 boxes apricots @ $2.40. Terms, $^{2}/_{5}\ ^{n}/_{30}$ (2 per cent off if paid in 5 days, net 30 days).

July 3. Bought of Mason and Thomas, on account, 50 boxes Gordon's codfish @ $2.40; 30 pails mackerel @ $1.80. Terms, $^{2}/_{10}\ ^{n}/_{30}$.

July 6. Received from Phillips and Company their note at 30 days, with interest at 5 per cent, for amount of their account.

July 7. Received from George F. Wing draft drawn by the First National Bank of Baldwinsville, N. Y., Harry Smith, cashier, on the Seaboard National Bank of New York city for the amount of his account of July 2, less discount.

July 8. Paid clerk hire to date $20.

July 9. Indorse in full the note of Phillips and Company and forward it to Mason and Thomas to apply on account.

July 10. Sold for cash 40 lb. London layer raisins @ 10¢ and 4 bbls. roller-process flour @ $5.25.

July 11. Received from Wheeler and Wood, Fulton, N. Y., check on Third National Bank for amount of their account.

July 13. Sent Mason and Thomas check for balance due them, less discount.

July 14. Bought of Mitchell and Company, on account, 6 boxes boneless codfish @ $2.75 and 12 bbls. No. 2 flour @ $4.20.

July 15. Paid clerk hire for one week $24.

July 16. Paid for freight and cartage $14.65.

July 17. Sold to F. H. Webb, on account, 6 boxes Sunlight soap @ $4; 4 pails mackerel @ $2.50.

5–6. Post all journals and cash-book entries made in questions 1–4. (Carry only totals of cash to the ledger cash account — not the separate items.)

7–8. Show the financial condition of the business at the close of July 17. Use *either* a trial balance together with a statement of losses and gains, resources and liabilities, *or* a six-column balance sheet. Merchandise inventory $4799.85. Furniture and fixtures unchanged.

9. Write the bill for goods sold July 2 and show receipt as of July 7. Write also the draft of July 7 in such a form that it may serve as a voucher to the transmitter, and show the necessary indorsement.

10. Write (*a*) the check mentioned in the transaction of July 11, (*b*) the letter that would naturally accompany this check.

11. Write the note mentioned in the transactions of July 6

and July 9, with proper indorsement. Show the entry that would appear in the journal of (*a*) Phillips and Company, (*b*) Mason and Thomas.

12. What is the underlying principle of double entry bookkeeping? Give a general rule for determining debits and credits. Mention *two* advantages that the double entry system has over the single entry.

ELEMENTARY BOOKKEEPING

Answer questions 1–6 *and four of the others but* no more. *Each complete answer will receive* 10 *credits. Papers entitled to* 75 *or more credits will be accepted.*

1–4. Make cash-book and journal entries of the following transactions in form for posting to the double entry ledger:

[Special Instructions. — Enter *all* cash items in cash book. Cash should be posted from cash book only.

The journal and the cash book required are books of *original entry*. Such books are accepted as evidence in court, and for this reason the details of every entry should be so clearly explained as to make the meaning certain.]

August 1, 1908. Edwin I. Floyd, a produce merchant in Newburgh, begins business with the following assets: cash $4000, merchandise $1560.10, furniture and fixtures $348; Ford Bros. account $197.50 and Henry Allen's note for $500 without interest, due August 27, 1908; his liabilities are an account payable to Becker and Swift $680.75 and a sixty-day note in favor of Robert Brown for $750, dated July 21, 1908.

August 3. Bought of Adams Bros., New York, 100 crates Bermuda onions at $1.25; 50 crates tomatoes at $1.60; 500 melons at 15¢. Terms, $^{3}/_{5}$ $^{n}/_{30}$ (3 per cent off if paid in 5 days, net 30 days).

August 4. Bought for cash new roll-top desk for office $35.

August 5. Sold Smith and Green, city, 10 boxes oranges at $6; 100 melons at 25¢. Terms $^{2}/_{5}$ $^{n}/_{30}$.

August 6. Paid rent of store in advance $50.

August 7. Bought of Porter and Roberts, New York, on account, 50 bbls. early harvest apples at $1.50; 30 crates cucumbers at $2.25.

August 8. Sent Adams Bros. New York draft (Traders National Bank, Philip Polk, cashier, on Chemical Bank, New York) for invoice of August 3, less discount.

August 10. Received check on Commercial National Bank from Smith and Green in payment of bill of August 5, less discount.

August 12. Had Allen's note discounted at bank. (See investment, August 1.)

August 14. Accepted Porter and Roberts' draft at 10 days' sight, dated August 13, in favor of William Martin for $100.

August 15. Sold A. F. Parsons for cash 10 crates cucumbers at $1.40.

5–6. Post all items given in questions 1–4 to the double entry ledger.

7. Make out in proper form a bill for the goods sold Smith and Green August 5. Draw the check received in payment of this bill August 10, and receipt the bill.

8. Write the New York draft mentioned in transaction of August 8 in such form as to make it valuable as a receipt to the transmitter, and show the proper indorsement. Write also the draft mentioned in the transaction of August 14, showing acceptance.

9. Rule pages for invoice and sales books and enter in them in proper form such items from questions 1–4, as should properly appear in these books.

10. Compare single with double entry bookkeeping, showing wherein they are similar and wherein they differ.

11–12. Make a balance sheet from the following ledger footings and inventories:

John Smith, proprietor	$ 150	$4285.88
Cash	5622.10	3986.50
Merchandise	4235.75	1750.25
Furniture and fixtures	750	
Bills payable	500	1250
Bills receivable	2796.80	1970
Expense	210	
Interest	9.33	15.40
Merchandise discount	16.25	10
R. E. Dixon	825.40	1577.60
Samuel Brown	1050	895
Roscoe Davis	375	
George Warner		800

Inventories: merchandise $2724.60, furniture and fixtures $735, expense $166.50.

ELEMENTARY BOOKKEEPING

Answer questions 1–6 *and two of the others but* no more. *Each complete answer will receive* 12½ *credits. Papers entitled to* 75 *or more credits will be accepted.*

1–3. Make cash-book and journal entries of the following transactions in form for posting to the double entry ledger.

[Special Instructions. — Enter *all* cash items in cash book. Cash should be posted from cash book only.

The journal and the cash book required are books of *original entry*. Such books are accepted as evidence in court, and for this reason the details of every entry should be so clearly explained as to make the meaning certain.]

August 31, 1907. Howard W. Loomis and S. R. Williams form a partnership under the firm name of Loomis and Williams, to carry on a wholesale dry-goods business in Troy, N. Y., gains and losses to be shared according to investment. Loomis invests his stock of goods valued at $7056.40, and furniture and fixtures $443.60. Williams invests cash $5000.

September 3. Bought of Bouton Manufacturing Company, North Adams, 10 pieces, 512 yds., S. M. print @ 5¢; 5 pieces, 234 yds., Scotch cheviots @ 40¢. Terms $^{3}/_{10}$ $^{n}/_{30}$ (3 per cent off if paid in 10 days, net 30 days).

September 4. Sold F. R. Grant, city, 15 gross bone buttons @ 15¢; 10 doz. boys' heavy cotton hose @ $1.25; 6 doz. men's half hose @ $6.85. Terms $^{2}/_{10}$ $^{n}/_{60}$.

September 5. Bought office stationery for cash $7.65.

September 6. Sold Miller and Miller, on account, 10 gross gilt buttons @ $2.25; 10 pieces, 504 yds., fancy gingham @ 8¢.

September 7. Bought of Bouton Manufacturing Company 25 pieces, 1310 yds., fancy gingham @ 7¢. Terms $^{3}/_{10}$ $^{n}/_{30}$.

September 9. Paid Preston and Walker cash for 25 tons coal @ $6.50 for heating store.

September 10. Sold George A. Allen, Mechanicville, on account, 10 pieces black chantilly lace @ 90¢; 20 pieces marquise lace @ $2.20.

September 11. Bought of Brooks and Company, New York, 10 pieces, 520 yds., black dress silk @ $1; 100 doz. spools sewing silk @ 87½¢.

September 12. Accepted Brooks and Company's draft at 10 days drawn on themselves for $500.

September 13. Sent Bouton Manufacturing Company New York draft for amount of invoice of September 3, less discount.

September 14. Received F. R. Grant's check for amount of bill of September 4, less discount.

September 16. Sold Frank C. Thomas for cash 5 doz. men's kid gloves @ $9.

September 17. Bought for cash from New England Furniture Company a roll-top desk for office $17.50.

4–5. Post to the double entry ledger all items given in questions 1–3.

6. Inventories are merchandise $7764.50, furniture and fixtures $454.50 (several chairs were broken), expense $158.22. Close accounts showing loss or gain into Loss and Gain Account; close proprietor's accounts showing net gain or loss and present worth of each partner.

7. Write the draft mentioned in transaction of September 12, showing acceptance. Write the New York draft mentioned in transaction of September 13 and show proper indorsement (National Commercial Bank, John Smith, cashier, on Producers Bank, New York).

8. F. A. Montgomery, commission merchant, Poughkeepsie, N. Y., received from Thomas Alton, Athens, N.Y., 245 bbls. apples, September 16, 1907. He sold them as follows: September 19, 50 bbls. @ $2.15; September 21, 85 bbls. @ $2.25; September 23, 110 bbls. @ $2.20. The charges were: freight $27.25; cartage $5.10; cooperage $1.50; commission 2½ per cent. Make an account sales.

9–10. The open accounts in the single entry ledger of Thomas S. Winter show the following footings:

	Dr.	Cr.
T. S. Winter, Proprietor	—	$6845.50
Howard Jones	$625.70	
Baker and Son	500	940
Johnson and Johnson	—	557.20
Richard P. Smith	550.75	250

He also has cash on hand $1575.20; notes and drafts due the business $465.10, merchandise per inventory $5566.80, furniture and fixtures $425. His own notes outstanding amount to $965.75.

From the above information change the books to the double

entry system, showing first, by means of a statement, Winter's present worth; second, the ledger as changed; third, a trial balance.

ELEMENTARY BOOKKEEPING

Answer questions 1–6 *and two of the others. Each complete answer will receive* 12½ *credits. Papers entitled to less than* 75 *credits will not be accepted.*

1–5. Make cash book and journal entries of the following transactions in form for posting to the double entry ledger:

[Special Instructions. — Enter cash items in cash book only.
The journal and the cash book required are books of *original entry*. Such books are accepted as evidence in court, and for this reason the details of every entry should be so clearly explained as to make the meaning certain.]

July 1, 1909. David C. Rogers begins business with the following assets and liabilities:

Assets

Cash on hand and in bank	$5000
Merchandise	3210
Furniture and fixtures	642.50
H. A. Danforth's account	210
C. B. Faunce's account	188.50
C. J. Rider's note, due Aug. 2, 1909, without interest	875

Liabilities

Accounts payable, B. H. Maguire and Company	$428
Accounts payable, J. B. Groat	122
A sixty-day note dated June 21, 1909, in favor of S. B. Greene	500

July 2. Discounted at the bank the note of C. J. Rider. Paid cash for office supplies $12.50.

July 3. Sold W. B. McLean on account 30 grindstones @ $2.25; 2 doz. planes @ $7.50; 3 doz. mortise locks @ $3.40; 2 doz. wrenches @ $10.50; 2 doz. try-squares, 8 in., @ $4.75. Terms $^{2}/_{10}\ ^{n}/_{30}$.

July 5. B. H. Maguire and Company drew on Rogers at 10 days' sight in favor of the Traders National Bank of Rochester for the amount of their account. Draft accepted.

July 6. Sold R. C. Sibley, on account, 24 ice-cream freezers @ $2.25; 10 clothes-wringers @ $3.25; 1½ doz. saws @ $18; 8 doz. porcelain knobs @ $1.25. Terms $^{2}/_{10}\ ^{n}/_{30}$. Sold H. R. True

for cash 2 drills @ $6; 1 doz. hammers @ $5.75; 100 lbs. nails @ 4¢.

July 7. W. B. McLean sent check for the amount of his purchase of July 3, less discount. Bought of B. H. Maguire and Company, on account, 18 doz. wrenches @ $8.25; 12 doz. hammers @ $4.25. Terms $^{2}/_{15}\ ^{n}/_{30}$.

July 9. H. A. Danforth settled his account by check. Sent J. B. Groat check to settle his account.

July 12. R. C. Sibley sent check in payment of bill of July 6, less discount. Paid cash for freight and carting $28.63.

July 14. Fearing the insolvency of C. B. Faunce, the firm secured from him a certified check for $150 and gave him a receipt in full of account. Paid by check to Traders National Bank of Rochester the draft accepted July 5.

July 15. Sent B. H. Maguire and Company check for the amount of purchase of July 7, less discount. Rogers drew for personal use $250.

6. Post all merchandise items given in questions 1–5. Close the account, assuming inventory to be $3350.

7. Make out in proper form the bill for the goods sold W. B. McLean July 3. Write the receipt given to C. B. Faunce July 14.

8. Write the note in favor of S. B. Greene mentioned under July 1. Write the H. A. Danforth check mentioned under July 9. (Draw this on some local bank known to you.)

9–10. Prepare a six-column balance sheet from the following footings and inventories:

	Dr.	Cr.
Proprietor	—	$8626
Merchandise	$3158.50	218.45
Furniture and fixtures	642.50	—
Bills payable	708	923
Interest and discount	4.38	—
Merchandise discount	5.93	2.97
Loss and gain	33.50	—
Cash	6443.14	986.66
Expense	41.13	—
C. C. Jones	—	280

Inventories are: merchandise $3165, furniture and fixtures $640, expense $15.50.

NOTE. — In questions 9–10 you may either prepare a six-column balance sheet or separate statements.

ELEMENTARY BOOKKEEPING

Answer questions 1–7 and three of the others.

1–4. Assume that you are engaged in the retail crockery business in Utica, N. Y. Using double entry cash book and journal, both as books of *original entry*, make entries in proper form of the following (enter all cash items in cash book only):

May 1, 1909, your resources are merchandise $2689.50; office furniture and fixtures $425; cash $2504.10; A. T. Kane's note at 30 days dated April 14, without interest, $280. You have a demand note outstanding in favor of William Wilson, dated April 22, for $125 and an account due Brown and Harding, New York, amounting to $768.40.

May 3. Paid insurance premium 1 per cent on valuation of stock.

May 4. Sold H. S. Arnold on account 1 dinner set @ $116.50; 1 doz. ice-cream plates @ $15; 1 doz. sherbet glasses @ $5.

May 5. Bought of Finch and Mason 10 tea sets @ $47.50; 6 fish sets @ $25; 8 doz. coasters @ $1.25. Terms $^{3}/_{5}\ ^{n}/_{30}$ (3 per cent off if paid in 5 days, net 30 days).

May 6. Sold Joseph Johnson for cash 1 cut-glass punch bowl @ $35; 1 doz. punch glasses @ $8.

May 7. Sold Harry Hilliard 3 electric drop-lights @ $22.50; 10 B. and M. lamps @ $1.50; 1 dinner set @ $165. Terms, note at 30 days.

May 8. Bought of Husted Bros. 120 cut-glass compote dishes @ $1.15; 72 cut-glass berry bowls @ $2.25.

May 10. Sent Finch and Mason New York draft for amount of bill of May 5, less discount.

May 11. Brown and Harding drew on you May 10, at 10 days from date, for $200 in favor of Charles Eaton of your city, which draft you accept to-day.

May 12. Had Hilliard's note of May 7 discounted at bank at 6 per cent.

May 13. Paid rent of store $75. Bought stationery, etc., $18.50.

5–6. Post all journal and cash-book entries made in questions 1–4.

7. Make a trial balance of *your* ledger. (No credit will be given for an imperfect balance of *your* ledger.)

8. Show the net gain or loss and present worth, *either* by closing the ledger, *or* by making a statement, or by completing a six-column balance sheet from the trial balance of question 7. Merchandise inventory $3365.60; expense inventory $15; furniture and fixtures remain unchanged.

9. Write the demand note mentioned in the items of May 1. Show an indorsement by which Wilson could use this note to cancel an indebtedness to James Harcourt on April 28. What is this kind of an indorsement called? Give the name of another form of indorsement occasionally used. Show the journal entries for these transactions on Wilson's books April 22 and 28.

10. Make out the invoice of goods received from Finch and Mason May 5 and the draft sent in payment, May 10, supplying all necessary data.

11–12. Enter in the single entry journal and cash book of Vincenzo D'Amico, a fruit dealer, the following:

On hand March 15, 1909, fruit worth $487.10; cash $1560.80; fixtures $120.

March 16. Bought of Empire Cold Storage Company, on account, 10 crates oranges @ $1.50; 12 bunches bananas @ $1.40.

March 17. Sold to City Grocery Company on account 2 crates grapefruit @ $2.25; 1 bunch bananas @ $1.65; 3 crates oranges @ $1.75.

March 18. Bought wrapping paper and bags for cash $10.50.

March 19. Sold sundry items for cash to date $96.25.

March 20. Paid Empire Cold Storage Company $25 on account.

March 22. Bought of H. R. Prescott on account 5 crates strawberries @ $2.20.

March 23. Received from City Grocery Company check for amount of their bill of March 17.

ELEMENTARY BOOKKEEPING

Write at the top of the first page of your answer paper (*a*) the name of the school where you have studied; (*b*) the number of weeks and recitations a week that you have had in bookkeeping.

Four recitations a week for a school year, in a recognized academic school, is the regular requirement, and any statement showing less or other than this should be accompanied by a satisfactory claim or explanation made by the candidate and certified by the principal; otherwise such paper will be returned.

Answer all questions

1–2. Show the Loss and Gain Account and the Proprietor's Accounts that would result from closing the books of Dean and Ford for the year ending December 31, 1909.

The open accounts and their respective footings were as follows: W. E. Dean, proprietor, Dr. $700, Cr. $10,000; H. A. Ford, proprietor, Dr. $950, Cr. $10,000; merchandise, Dr. $29,105.45, Cr. $20,016.10; furniture and fixtures, Dr. $785.30, Cr. $50; bills payable, Dr. $7789, Cr. $8567.50; bills receivable, Dr. $12,000, Cr. $11,200; Joseph Wilkins, Dr. $590.20, Cr. $786.45; William Porter, Dr. $659.80, Cr. $434.25; expense, Dr. $536.28; insurance, Dr. $125; merchandise discount, Dr. $676.55, Cr. $1321.05; interest and discount, Dr. $701.40, Cr. $529.90. The cash-book footings were: Dr. $25,441.20, Cr. $17,154.93. Inventories were: merchandise $14,397.68, furniture and fixtures $718.10, expense $45.75.

3–5. Using double entry cash book and journal, both as books of *original entry*, make entries of the following in proper form for posting to the double entry ledger (enter cash items in cash book only):

January 4, 1910. William Jackson, Elmira, N. Y., begins a grain business with the following investment: cash $2500; merchandise $1600; James White's sixty-day note, without interest, dated December 21, 1909, $500; real estate $5000; furniture and fixtures $460; Charles R. Packard, Rochester, N. Y., owes him $1240 on account. He owes L. O. Mason, on account, $1600 and has an acceptance outstanding (draft drawn payable 60 days after date by John Brown in favor of Harrison Tyler, dated December 29, 1909) $975.

January 5. Bought of Blake and Weston, Buffalo, N. Y., 1000 bu. corn @ 39½¢; 1200 bu. wheat @ 62¢. Terms, $^{3}/_{10}\,^{n}/_{30}$ (3 per cent off if paid in 10 days, net 30 days).

January 6. Sold J. H. Clark, on account, 100 bu. corn @ 49¢; 500 bu. wheat @ 75¢.

January 7. Sold Henry Johnson 250 bu. barley @ 50¢; 200 bu. oats @ 24¢. Terms, $^{2}/_{10}\,^{n}/_{60}$.

January 8. Had White's note (see investment) discounted at bank at 6 per cent.

January 10. Bought of Townsend and Company, Rochester, N. Y., on account, 1500 bu. wheat @ 63¢.

January 11. Sold Porter Black for cash 100 bu. oats @ 25¢.

January 12. Paid cash for new typewriter for office use $100.

January 13. Sent Townsend and Company draft at 10 days after date on Charles R. Packard (see investment) for amount of invoice of January 10.

January 15. Sent Blake and Weston, New York, draft in payment of bill of January 5, less discount.

January 17. Received check from Johnson for amount of his bill of January 7, less discount.

January 18. Townsend and Company return the draft on C. R. Packard sent them January 13, stating that Packard has refused to pay the draft.

6. Post from questions 3–5 items belonging in Merchandise Account only. Close Merchandise Account; inventory $3010.

7. Make in proper form under date of January 17, an account sales of 20 tubs butter and 30 cases eggs received January 5, 1910, by Philip Downer, commission merchant, Albany, N. Y., from James Bowerman, Voorheesville, N. Y. Sales were made as follows: January 9, 10 cases, 240 doz. eggs @ 30 ¢; 5 tubs, 300 lbs., butter @ 28¢. January 12, 10 tubs, 600 lbs., butter @ 29¢. January 14, 5 cases, 120 doz. eggs @ 31¢; 5 tubs, 300 lbs., butter @ 27¢. January 15, 15 cases, 360 doz. eggs @ 30¢. Charges were freight $10.75, cartage $2.25, commission 5 per cent

8. Write in proper form the invoice for goods received from Blake and Weston January 5. Write also and indorse, in such form as to serve as a voucher to Jackson, the bank draft sent in payment January 15. (Supply all necessary data.)

BOOKKEEPING

1–6. Make day-book, cash-book and ledger entries for the following memoranda:

Trenton, N. J., June 1, 1908. Sold for cash 100 lbs. poultry at 15¢ and 70 lbs. coffee at 25¢. Bought of John Weber, on account, a horse for $125, giving him a sixty-day note for $100. Paid for wagon $85. Sold to Henry Smith, on account, 100 lbs. coffee at 28¢.

June 2. Sold to W. H. Young, on account, 10 lbs. butter, at 35¢; three scores of eggs @ 40¢ and 20 lbs. sugar @ 6¢. Received for small sales $91.40.

June 3. Bought of S. P. Dunham and Company, on account, 15 yds. silk @ $1.50; trimming amounting to $5.75; and sold them 50 bu. of grain @ 60¢. Sold to George Holl and Company, on account, groceries amounting, per invoice, to $143.75, and received from them cash $43.75.

June 4. Sold to Henry Smith, on account, 50 lbs. of tea at 60¢. Received for small sales $115.60. Paid gas bill $15.25.

June 5. Sold to Mrs. H. Murphy, on account, 7 gals. N. O. sirup at $1.10. Gave credit to Henry Smith for 5 days' labor, painting, at $1.75. Received thirty-day note from George Holl and Company for $100.

June 6. Bought of W. H. Young, on account, 5 tons pea coal @ $4.75 and 4 tons chestnut @ $6.50. Sent a statement to S. P. Dunham and Company and received check for balance due.

June 8. Received of Mrs. H. Murphy cash in full of account. Paid for carting $3.75.

June 9. Bought of A. V. Manning's Sons furniture amounting to $66, and paid them in full, per check on Broad Street National Bank, having deposited said amount in bank.

June 10. Paid John Weber by sight draft on Henry Smith for $25.

7. (*a*) Balance cash book on June 9th.

(*b*) Write receipt for transaction of June 8th (Mrs. Murphy).

8. Write promissory note received June 5th, and find proceeds if discounted on same date.

9. (*a*) Write check for transaction of June 9th (A. V. Manning's Sons).

(*b*) Write statement sent to S. P. Dunham and Company on June 6th. Select one of the following:

10. (*a*) Write letter ordering coal which you bought on June 6th.

(*b*) Write sight draft which you sent to John Weber.

(*c*) Who was payee in the check which you gave on June 9th, and what must be done in order to cash the same?

BOOKKEEPING

1. Define (*a*) resources, (*b*) creditor, (*c*) bills payable, (*d*) bank discount, (*e*) commercial discount.

2. Interpret ten of the following: $^{a}/_{c}$, $^{c}/_{e}$, ck., p., f. o. b., B. P., B. R., D. B., I. B., S. B., $^{L}/_{39}$, $^{4}/_{30}$.

3. Give general instructions as to the use of the terms Debit and Credit.

4. Classify under the head of debits or credits each of the following: Cash paid, notes of others received, our own notes redeemed, capital invested, debts owing us, gains, discounts paid by us, rents paid to us.

Memorandum

Henry Johnson and Son, of Trenton, N. J., sold George Hall, of Camden, N. J., June 16, 1900, a store for $7800 and stock of merchandise as per inventory for $11,285, accepting in part payment note given Mr. Hall by John Reade, April 13, 1900, payable 90 days after date in the sum of $3500; a house and lot valued at $4600 and New York sight drafts amounting to $8242. The balance was charged on account due in two equal instalments in three and six months, respectively. The note of Mr. Reed was paid at maturity, but Mr. Hall being unable to meet the first payment on account (when due) gave in settlement a sixty-day note with Edwin Curtis as endorser, payable at the Merchants' National Bank, of Trenton, N. J.

Journalize in the book of George Hall.

Show the transaction as posted to the ledger of Henry Johnson and Son.

Write the last mentioned note.

BOOKKEEPING

1. The following facts are recorded in single entry ledger:

J. Smith	C. Brown	A. Adams
$500/$100	$200/$400	$900/$50

The cash book has $600 on the Dr. side and $100 on the Cr. The bill book contains one note against R. Russell for $300, which has been on interest one year at 6 per cent. We owe S. Smith a note of $75.

2. Make a trial balance at this point and change the books to double entry, and work out the following transaction in the journal and ledger:

3. Bought of H. Henry, on account, 100 barrels flour @ $3 $300.

4. Sold J. Johnson on his note at 30 days 80 bbls. flour @ $5, $400.

5. Received H. Henry's note in settlement of his account $300.

6. Bought of E. Edwards 200 bbls. flour @ $3, $600. Gave in payment cash $100; note at 30 days $200; balance on account $300.

7. Sold G. Grimes on thirty days' time 150 bbls. flour @ $4, $600.

8. Accepted E. Edwards' draft on us at ten days' sight in favor of L. Lyman $400.

9. Paid our note in favor of E. Edwards and $2 interest on same. Face of note $100, interest $2, total $102.

10. Unsold property, 70 bbls. flour @ $5, $350. Make trial balance and statements of losses and gains, resources and liabilities, and close the ledger.

BOOKKEEPING

1. How does double entry differ from single entry bookkeeping?

2. What books are usually employed in each?

3. Define (*a*) debit; (*b*) balance; (*c*) net capital; (*d*) acceptance; (*e*) inventory.

4. Give the rule for ascertaining net capital.

5. What is an invoice book? What is meant by the book of original entry?

6. What items are entered in the Dr. column of the cash book? In the Cr. column?

7. (*a*) Write a promissory note dated to-day, non-interest-bearing, and payable to the order of yourself at a bank sixty days hence. (*b*) Indorse the foregoing described note in full and give date of maturity.

8. Write a receipt for $75 in settlement of all accounts between yourself and John Doe.

9–10. A and B commence business with the following resources: cash $3000; notes $1500; merchandise $3500; real estate $10,000; balance due on personal accounts $12,500.

At the end of six months their resources and liabilities are as follows: Cash on hand $1500; cash in bank $4000; notes $3500; merchandise $3750; real estate $15,000; due on personal account $1500.

Amount due from the firm on their notes $750; amount due to persons on account $1500.

Required capital at beginning, capital at closing, and net loss or gain.

ADVANCED BOOKKEEPING

Answer all questions. Double entry bookkeeping is implied. **Ruled journal or ledger paper** *may be used, but the candidate will be* **held responsible** *for the ruling called for by the questions. Papers entitled to 75 or more credits will be accepted.*

The books of account to be used in this paper are journal, sales book, invoice book, sales ledger, purchase ledger, main ledger, and cash book.

On the left hand page of cash book will be four money columns, with captions in the following order: Mdse. Dis. Dr., Accts. Rec. Cr., Mdse. Cr. (cash sales) and Cash Dr., which will include all cash actually received. On the opposite page will be four money columns, Mdse. Dis. Cr., Accts. Pay. Dr., Expense Dr., and Cash Cr., which will include all cash actually paid out. "Contra" discount columns are not used.

No cash account will be kept in the ledger. All original entries must contain sufficient explanation to make the transactions perfectly clear.

1–10. George Peterson, engaged in the wholesale grocery business in Syracuse, has admitted David B. Hunter as a partner in his business. Peterson invests his stock of goods, appraised at $8480, and his furniture and fixtures, appraised at $720, and also invests cash $1200. Hunter invests cash $6180. The partnership is unlimited and it is mutually agre d that losses or gains shall be shared in the proportion of two-thirds to Peterson and one-third to Hunter. The new partnership takes effect September 15, 1908, under the name of Peterson and Hunter.

Make all necessary entries for the foregoing transactions and for those that follow:

September 15, 1908. Bought for cash 1 roll-top desk $65. Bought for cash stationery and books account $45. Bought for cash 10 tons coal for heating stove @ $6.50 per ton. Sold James Lester 4 bags plain Rio coffee, 500 lbs., @ 28¢; 8 bags Mocha coffee, 1200 lbs., @ 24¢. Terms, $^{2}/_{10}$ $^{n}/_{60}$ (2 per cent off if paid in 10 days, net 60 days). Cash sales to transient buyers $45.50.

September 16. Sold Jasper Spreckles, Fredonia, 30 bbls. oatmeal @ $6. Terms, note at 10 days. Transient sale $54.25.

September 17. Sold Benjamin Strang, Buffalo, 50 cases Royal baking powder @ $4.80; 50 pails mackerel, weight 20 lbs. to the

pail, @ $2.40 per pail; 150 boxes raisins, London layer, weight 20 lbs. to the box, @ 10¢ per lb.; 100 boxes California raisins, 50 lbs. to the box, 9½¢ per lb. Terms, $^{2}/_{5}$ $^{n}/_{30}$. Transient sales $155.25.

September 18. Sold A. M. Walters, Utica, 20 half chests Japan tea, 75 lbs. to the ½ chest, @ 35¢ per lb. Terms $^{2}/_{5}$ $^{n}/_{30}$. Bought of Jesse Abbott, Glens Falls, 25 bbls. roller-process flour @ $3.50; 10 bbls. oatmeal @ $4.50. Terms, $^{2}/_{5}$ $^{n}/_{60}$. Transient sales $125.

September 19. Sold George Elder, Pittsfield, Mass., 10 chests finest oolong, 600 lbs., @ 51¢. Terms, $^{2}/_{5}$ $^{n}/_{30}$. Transient sales $165.

September 21. Sold Earl and Boynton, Philadelphia, Pa., 500 1-lb. cans Baker's cocoa @ 60¢; 400 bbls. roller-process flour @ $4. Terms, $^{2}/_{5}$ $^{n}/_{60}$. Bought of Henry Pearsall, Newburgh, 60 boxes Sunlight soap @ $3; 100 boxes wool soap @ $3. Terms, $^{3}/_{5}$ $^{n}/_{30}$. Transient sales $145.50.

September 22. Sold F. G. Brewster, Elmira, 50 bbls. standard A sugar, 325 lbs. to the bbl., @ 5¢ a lb.; 25 bbls. fine granulated sugar, 325 lbs. to the bbl., @ 6¢ a lb. Terms, $^{2}/_{5}$ $^{n}/_{30}$. Benjamin Strang remits New York draft for bill of September 17. Transient sales $170.

September 23. A. M. Walters remits New York draft for bill of September 18. Sent Jesse Abbott New York draft for invoice, September 18. Transient sales $75.

September 24. Bought of Charles Stetson, Albany, 120 boxes H.-O. @ $2.35. Terms, $^{2}/_{10}$ $^{n}/_{30}$. George Elder remits New York draft for bill of September 19. Transient sales $311.50.

September 25. Transient sales $105.

September 26. Earl and Boynton remit New York draft for bill of September 21. Sent Henry Pearsall check for invoice September 21. Transient sales $135.25.

September 28. Cash sales, transients $171.50. September 29. Transients $125. September 30. Transients $268.25.

September 30. Charged Jasper Spreckles protest fees on note of September 16, returned by bank $2.06.

September 30. Charge expense: horses, wagons, etc., $72.50; bookkeeper $65; billing clerk $40; porter $20; printing $26.50.

Having made all entries and postings, show losses or gains and present worth of each partner.

Merchandise inventory $2507.80; expense inventory $100; furniture and fixtures unchanged.

ADVANCED BOOKKEEPING

Answer all questions. Double entry bookkeeping is implied. **Ruled paper** *should be used, but the candidate will be* **held responsible** *for the ruling called for by the questions.*

The books of original entry required for this paper are journal, sales book, invoice or purchase book, and cash book. All original entries must be clearly explained. Three ledgers are to be kept — sales, purchase, and main ledger. In rating papers the credits will be assigned as follows: journal 15, sales book 10, invoice book 8, cash book 25, sales ledger 7, purchase ledger 5, main ledger 15, trial balance 8, closing 7.

The journal is to be provided with four money columns: Accts. Pay. Dr., General Dr., Accts. Rec. Cr., General Cr.

The special columns to be used in the cash book are as follows: on the debit page, Mdse. Dis. Dr., Accts. Rec. Cr., Int. and Dis. Dr., Bills Rec. Cr., and General; on the credit page, Mdse. Dis. Cr., Accts. Pay., Dr., Expense Dr., and General.

Make all necessary entries and postings for the following:

June 1, 1909. A. L. and B. R. Anderson form a partnership to carry on a wholesale tea, coffee and spice business in Buffalo, N. Y., under the firm name of Anderson Bros., each investing $6000 in cash. They buy out the business and good-will of J. H. McIntyre and Company, taking over the entire resources and liabilities as given below and giving in payment their note at six months for $7000 and cash for the balance. Resources: merchandise per inventory $7584.20; bills receivable, note of John Watson at 30 days from May 7, $750; office furniture per inventory $1140; insurance, unexpired premium $150; good-will, estimated value $4000; account of F. W. McGuire, Gowanda, N. Y., $945.69. Liabilities: bills payable, note at 60 days from April 15 in favor of Dean and Company $1500; an account with Morgan Bros., Chicago, Ill., $2841.20.

June 2. Bought, for cash, books and stationery $21.50. Sold Clinton Bros., Tonawanda, N. Y., 3 bags plain Rio coffee, 375 lbs., @ 28¢; 4 mats fancy Java coffee, 300 lbs., @ 30¢; 2 half chests choice Japan tea, 150 lbs., @ 35¢. Terms $^{2}/_{5}$ $^{n}/_{30}$ (2 per cent off if paid in 5 days, net 30 days).

June 3. Sold E. P. Randolph, East Aurora, N.Y., 5 half

chests young hyson tea, 350 lbs., @ 28¢; 2 half chests finest oolong tea, 120 lbs., @ 51¢. Terms, note at 10 days.

June 4. Sold H. T. Rogers, Holland Patent, N.Y., 5 bags Rio coffee, 625 lbs., @ 27¢; 5 half chests choice Japan tea, 375 lbs., @ 33¢. Terms, note at 30 days. Had Randolph's note, dated June 3, discounted at bank. Bought of Welch and Green, New York, 20 bales genuine Mocha coffee, 3000 lbs., @ 20¢; 10 mats fancy Java coffee, 750 lbs., @ 23¢. Terms, $^{3}/_{10}$ $^{n}/_{30}$. Sold F. D. Sargent, city, 10 half chests finest oolong tea, 600 lbs., @ 50¢. Terms, $^{2}/_{5}$ $^{n}/_{30}$.

June 5. Received notice from bank that Watson's note (see June 1), sent to bank for collection June 3, has been paid and credited to your account. Bought new office safe for cash $225. Bought of Henry Decker, city, 500 lbs. club-house coffee @ 25¢; 5 lbs. nutmegs @ 65¢. Terms $^{3}/_{10}$ $^{n}/_{60}$.

June 7. Bought of Walker and Walker, Boston, Mass., 100 lbs. pepper @ 20¢; 25 lbs. cinnamon @ 22¢; 50 lbs. cloves @ 27¢. Terms, $^{3}/_{10}$ $^{n}/_{30}$. Clinton Bros. remit for bill of June 2. Bought for cash, office supplies $12.98.

June 8. Paid cash for 2 tons coal @ $6.50 for heating office.

June 9. Welch and Green drew on us at 5 days sight for $200 in favor of L. E. Blackburn of this city; draft accepted and applied on account of their bill of June 4. Received check from F. D. Sargent for bill of June 4.

June 11. Sold W. D. Lightbody, North Tonawanda, N. Y., 3 half chests Japan tea, 225 lbs. @ 37¢; 2 half chests gunpowder tea, 120 lbs., @ 55¢. Terms, $^{3}/_{5}$ $^{n}/_{60}$.

June 14. Paid draft accepted June 9 and sent Welch and Green New York draft for balance due on bill of June 4. Had Roger's note of June 4 discounted at bank.

June 15. Paid Henry Decker for bill of June 5. Cash sales of merchandise to date $436.10. Paid salaries: bookkeeper $40; clerk $30; delivery man $25; boy $7; telegrams, etc., $1.04.

Prove the correctness of your work by making a trial balance, and close the books to show loss or gain and present worth of each partner. Merchandise per inventory $7335.90; furniture and fixtures $1365; insurance, unexpired premium $137.50; expense $125.

NOTE. — No credit will be given for an incorrect trial balance, so do your work carefully.

ADVANCED BOOKKEEPING

Answer all questions. Double entry bookkeeping is implied. **Ruled journal or ledger paper** ***may be used, but the candidate will be*** **held responsible** ***for the ruling called for by the questions.***

The books of account to be used in this paper are journal, sales book, invoice or purchase book, sales ledger, purchase ledger, main ledger, and cash book.

On the left hand page of cash book will be four money columns, with captions in the following order: Mdse. Dis. Dr., Accts. Rec. Cr., Mdse. Cr. (cash sales), and Cash Dr., which will include all the cash received. On the opposite page will be four money columns: Mdse. Dis. Cr., Accts. Pay. Dr., Expense Dr., and Cash Cr., which will include all the cash paid out. "Contra" discounts are not accepted.

No cash account will be kept in the ledger. All original entries must contain sufficient explanation to make the transactions perfectly clear.

1–10. Abner Sanderson, engaged in the wholesale furniture business in Buffalo, takes into partnership Lester Duboice. Sanderson makes the following investments: cash $356.40, merchandise $8314.25, and furniture and fixtures $553.51. Duboice invests cash $3074.72. The partnership is unlimited as to time, and losses or gains are to be shared in proportion to capital. The new firm begins business October 16, 1908, under the firm name of Sanderson and Duboice.

Make all the necessary entries for the foregoing transactions and for those that follow:

October 16, 1908. Bought 10 tons coal @ $6.50; paid by check. Bought by check, books and stationery $20. Sold Allen and Porter, Utica, N. Y., 10 No. 16 B complete dining-room sets @ $72. Terms, $^{2}/_{10}$ $^{n}/_{60}$ (2 per cent off if paid in 10 days, net 60 days). Bought of J. L. Eberly, Boston, Mass., 15 No. 16 ladies' dressing cabinets @ $20; 5 No. 5926 secretary-book cabinets @ $65. Terms, $^{3}/_{5}$ $^{n}/_{30}$. Cash sales $145.50.

October 17. Sold H. B. Barker, Rome, N. Y., 5 No. 572 drawing-room suits @ $125. Terms, $^{2}/_{5}$ $^{n}/_{60}$. Bought of Gates and Luther, New York city, 100 No. 635 brass beds @ $15; 100 No. 5495 enameled iron beds @ $3. Terms, $^{2}/_{5}$ $^{n}/_{30}$. Sold Chester E. Brown, Binghamton, N. Y., on his note at 10 days, 1 No. 1008 oak sideboard @ $150; 2 No. 2229 oak dining tables @ $10. Cash sales $185.

October 19. Sold Warfield Bros., Olean, N. Y., 10 No. 189

mahogany chamber sets @ $110; 10 No. 1008 oak sideboards @ $135. Terms, $^{2}/_{5}\ ^{n}/_{60}$. Bought of Westcott and Johns 200 No. 15 cane chairs @ $1.45; 50 No. 65 Turkish rockers @ $12. Terms, $^{2}/_{10}\ ^{n}/_{60}$. Cash sales $300.

October 21. Sold Lester Bogart, Cortland, N. Y., 2 No. 16 C complete dining-room sets @ $121; 2 No. 572 drawing-room suits @ $152.25. Terms, $^{2}/_{5}\ ^{n}/_{30}$. H. B. Barker remits New York draft for bill of October 17. Cash sales $230.50.

October 22. Sent New York draft to pay invoice of J. L. Eberly of October 16. Cash sales $375.50.

October 23. Sold Peters and Company, Rochester, N. Y., 3 No. 572 drawing-room suits @ $125. Terms, $^{2}/_{10}\ ^{n}/_{60}$. Cash sales $415.50.

October 24. Cash sales $345.

October 26. Allen and Porter remit draft for bill of October 16. Sent New York draft to pay invoice of Gates and Luther of October 17. Cash sales $430.

October 29. Warfield Bros. remit New York draft for bill of October 19. Cash sales $345.

October 31. Charge Chester E. Brown in cash book protest fees, etc., $2.04. Expense: charge horses, wagons, etc., $64.50, bookkeeper $60, billing clerk $40, porter $20, printing, etc., $85.50. Cash sales $564.50.

After making all entries and postings, prepare a six-column balance sheet showing losses or gains and present worth of partners.

Resource inventories: merchandise $4308.56; expense $50. Furniture and fixtures unchanged.

ADVANCED BOOKKEEPING

Answer all questions. Double entry bookkeeping is implied. **Ruled paper** *should be used, but the candidate will be* **held responsible** *for the ruling called for by the questions. Papers entitled to less than 75 credits will not be accepted.*

The books of original entry required for this paper are journal, sales book, purchase book, and cash book. All original entries must be clearly explained. Three ledgers (sales, purchase, and main ledger) are to be kept.

N.B. — Students familiar with the voucher system of accounting may substitute for the purchase book and the purchase ledger, the vouchers and the voucher register.

In addition to the general columns, use special columns as follows: in the journal Pur. Ledg. Dr., Bills Rec. Dr., Sales Ledg. Cr., Bills Pay. Cr.; in

the cash book, on the debit page, Mdse. Disc. Dr., Sales Ledg. Cr., Mdse. Cr. (cash sales), on the credit page Mdse. Disc. Cr., Pur. Ledg. Dr., Expense Dr.

1–10. Make all necessary entries and postings for the following:

September 1, 1909. Henry M. Walker, a carpet dealer in Mt. Vernon, takes into partnership John H. Hopkins who invests $5000 in cash. Walker's present worth consists of merchandise on hand $2890.25, cash $2357.55, office furniture $195; E. P. Brown's thirty-day note for $750, without interest, dated August 14, 1909, and an account against W. E. Kingsley amounting to $807.20. Profits or losses are to be shared in proportion to the investment of each partner.

September 2. Paid insurance premium by check at ½ of 1 per cent on $2500 for stock and $200 for furniture and fixtures. Bought of Imperial Carpet Company, New York, 1000 yds. Axminster @ $1.50; 1500 yds. Wilton @ $2. Terms, 30 days net, 5 per cent 10 days.

September 3. Sold William Martin, on account, 200 yds. tapestry Brussels @ 80¢; 400 yds. matting @ 60¢. Paid Johnson and Cary cash for books and stationery $18.25. Had Brown's note (see September 1) discounted at bank.

September 4. Shipped Department of Public Buildings, Newburgh, N. Y., 2000 yds. Axminister @ $2.20; 12,000 yds. lining @ 10¢. By special arrangement the terms are a discount of 3 per cent from quoted prices with a discount of 5 per cent for cash on receipt of goods. Cash sales September 2–4, $805.85.

September 7. Bought of P. J. Marsh, White Plains, N. Y., who is selling out, 840 yds. Wilton @ $1.25. Terms, note at 10 days.

September 8. Received New York draft from treasurer of the city of Newburgh in payment of bill of September 4, less discount. Sold J. D. Blackman, 75 yds. body Brussels @ $1.30; 100 yds. Axminster @ $1.75. Terms, $^{2}/_{10}\ ^{n}/_{30}$. Received from W. Martin a draft, dated September 7 and payable 10 days after date, on Irving T. Hilton for $250 to apply on account.

September 9. Received invoice of goods ordered from Phillips and Black, Yonkers, N. Y., 800 yds. moquette @ $1.50; 1000 yds. velvet @ $1.30. Terms, cash less 5 per cent and 2½ per cent; sent check for required amount.

September 10. Kingsley's financial standing is not good. An offer was made to accept 50¢ on the dollar in settlement of account and he has to-day taken up that offer by sending his check for the required amount. Mr. Walker draws $50 cash for personal use.

September 11. Sent Imperial Carpet Company New York draft for amount of bill of September 2 less discount. Bought for office a new typewriter, paying cash $100. Goods valued at $690.86 invoice value were damaged by smoke and water from a neighboring fire; as a result of claim put in by the firm the insurance company sends check for one-half the amount.

September 13. Sold entire damaged stock to J. T. Bowman for $345.43 in cash. Bought of Metropolitan Carpet Company 2000 yds. tapestry Brussels @ 60¢; 1500 yds. body Brussels @ $1. Terms, 60 days net, 2 per cent 30 days, 5 per cent 10 days.

September 15. Paid semi-monthly salaries to 5 clerks $125. Telegrams, postage, etc., $5.10. Cash sales September 7–15 $946.55.

Draw off a trial balance of your ledger; then show, by whichever method you prefer, the loss or gain and the present worth of each partner. Inventories are: merchandise $6674.97, furniture and fixtures $287.50, expense $15.

ADVANCED BOOKKEEPING

Write at the top of the first page of your answer paper (*a*) the name of the school where you have studied, (*b*) the number of weeks and recitations a week that you have had in bookkeeping.

Three recitations a week for one school year in addition to four recitations a week in elementary bookkeeping for another school year, in a recognized academic school, is the regular requirement, and any statement showing less or other than this should be accompanied by a satisfactory claim or explanation made by the candidate and certified by the principal; otherwise such paper will be returned.

Answer all questions. **Ruled paper** *should be used, but the candidate will be* **held responsible** *for the ruling called for by the questions. In rating papers the credits will be assigned as follows: changing to double entry* 25, *journal* 10, *sales book* 10, *purchase book* 10, *cash book* 18, *sales ledger* 5, *purchase ledger* 5, *main ledger* 10, *final result* 7.

1–10. Martin Sullivan of North Tonawanda, N. Y., invested January 2, 1909, $12,500 in the wholesale grocery business and kept his books by single entry. He directs you, his bookkeeper,

to change to the double entry system on January 3, 1910. You find the following property on hand: store and lot $5000, horses and wagons $1800, office furniture $695, merchandise $6879.25. The cash book shows a balance of $4284.10 on hand. Sullivan also holds a non-interest-bearing note of Porter Montgomery, dated December 15, 1909, for $750; he has outstanding an acceptance dated December 31, 1909, in favor of John Horman, drawn by Henry Dickson at 20 days for $919. His ledger shows the following open accounts:

	Dr.	Cr.
Martin Sullivan, proprietor	—	$12,500
D. F. Mason	$869.10	500
George C. Allen	306	780
Smith and Baker	532.75	1,441.60
Robert Aldrich	995	226.50

Take all the steps necessary to change to the double entry system, showing and proving your work by a trial balance and putting the old ledger in shape to be continued as the main ledger of the new books.

The books of original entry to be used in the new set are journal, sales book, purchase book, and cash book. All original entries must be clearly explained. In addition to the main ledger already opened, a sales ledger and a purchase ledger are to be kept.

N.B. — Students familiar with the voucher system of accounting may substitute for the purchase book and the purchase ledger, the vouchers and the voucher register.

In addition to the general columns, use special columns in the cash book, on the debit page, for Mdse. Disc. Dr., Accts. Rec. Cr., Mdse. Cr. (cash sales), on the credit page for Mdse Disc. Cr., Accts. Pay. Dr., Expense Dr.

In the journal use special columns for Accts. Pay. Dr. and Accts. Rec. Cr., in addition to the general columns.

Make all necessary entries and postings for the following:

January 3, 1910. Paid cash for new books and stationery $38.50. Bought of Burton Bros., Buffalo, N. Y., 50 cases baking powder @ $3.60; 250 1-lb. cans cocoa @ 48¢; 144 1-lb. tins sweet chocolate @ 29¢; 10 bags, 1250 lbs., plain Rio coffee @ 24¢. Terms, $^{3}/_{10}$ $^{n}/_{60}$.

January 4. Sold Gordon Cook, North Tonawanda, N. Y., 4 mats, 300 lbs., fancy Java coffee @ 30¢; 6 bbls. oatmeal @ $6.

Terms, $^{2}/_{5}$ $^{n}/_{30}$. Sold Robert Johnson, city, 15 20-lb. boxes London layer raisins @ 10¢ per lb.; 2 bbls., 650 lbs., standard A sugar @ 5¢. Terms, $^{2}/_{10}$ $^{n}/_{30}$.

January 5. Bought for cash new office safe $450.

January 6. Bought of Porter Bros., New York, 6 bbls., 300 gals., New Orleans molasses @ 30¢; 10 bbls., 3250 lbs., granulated sugar @ 5¢. Terms, $^{2}/_{5}$ $^{n}/_{30}$.

January 7. Bought of Jones and Colby, on account, 1000 bbls. roller-process flour @ $5.50. Cash sales of merchandise to date $566.75.

January 8. Received New York draft from Gordon Cook for amount of bill of January 4, less discount.

January 10. Sold J. L. Masten, Niagara Falls, N. Y., 50 200-lb. bags ice-cream salt @ 57¢ per bag; 5 bbls., 1625 lbs., standard A sugar @ 5¢. Terms, 30 days net.

January 11 Sent Porter Bros., N. Y., draft for amount of invoice of January 6, less discount.

January 12. Gave Jones and Colby a note at 30 days for $1500 to apply on account of invoice of January 7.

January 13. Sent Burton Bros. check for amount of invoice of January 3, less discount.

January 14. Received from J. L. Masten a draft at 10 days from date on Bouton and Company for $75, which they have accepted. Robert Johnson paid by check his bill of January 4, less discount. Cash sales to date $664.90. Bought for office use 6 tons of coal @ $6.75, paying by check.

Show your proprietor's net loss or gain and present worth on January 16. Inventories are: furniture and fixtures $1137.50, merchandise $12,018.40; real estate and horses and wagons remain unchanged.

XXV

MODERN LABOR-SAVING DEVICES

Of late there have been put upon the market many excellent labor-saving devices which all students of bookkeeping should become acquainted with, as some of them are almost indispensable to the practical bookkeeper. Among these many devices a few of the most useful are explained below.

I

Loose Leaf Systems

In the keeping of modern business records the loose leaf system has a well defined and important place. It possesses many great advantages, such as simplicity, expansibility at any point, rapidity of reference, easy elimination of obsolete material, convenience of size, and smallness of cost.

The loose leaf ledger consists of leaves ruled and printed to carry a given record and having a punched margin which makes it possible to bind them readily and securely into a binder. The binder is really no different from a bound book except that the leaves can be conveniently added or removed or rearranged according to changing conditions. The loose leaf ledger has many forms. The most practical binder is the current ledger binder. It consists of three pieces of molded aluminum alloy and is operated by a simple but strong screw mechanism. It holds its leaves securely and alternating binding posts insure perfect alignment.

To accompany this current ledger binder are two others, one to which dead accounts may be transferred, and into which they may be securely locked, and also a current ledger holder into which new accounts may be temporarily put so as to remove the necessity of constantly interrupting the ledger clerk's work to insert new leaves into the current ledger.

A great variety of binders is now made so that one may choose a style that is especially well fitted to his particular business.

Some of the various methods of developing the loose leaf ledger are the alphabetic, numeric and geographical methods. For a small number of accounts the alphabetic method is preferable.

The numeric method is best where the accounts are known by number as in savings banks, loan associations, and the like.

The geographical method can be profitably employed when a number of salesmen exploit goods in various territories.

It is difficult in so small a space to properly explain the advantages of the loose leaf systems. The student should endeavor to examine one in practical use in an office and thus prove to himself the convenience and superior utility of the plan.

The Card Ledger

We have seen that the loose leaf ledger has many advantages over the old bound book form. It is expansive, perpetual, and may be divided among a number of clerks for rapid work. For a very active ledger of few accounts it is not surpassed.

On the other hand it is more bulky than a bound book and there is considerable waste space, because inactive as well as active accounts are each assigned to both sides of a full sheet. It has also the same limitations in indexing as a book ledger unless it is supplemented by a card index.

Every one of the disadvantages of the book ledger and the loose leaf ledger is overcome by the card ledger.

The fundamental principles of the card ledger are expansiveness at every point and unlimited flexibility. Each account is a unit in itself. Its insertion, its growth, its removal, affect no other account. One card is devoted to each account and these cards are filed on edge in a tray, consecutively by account number.

Each card has the ledger ruling on both sides. When one side is filled the account is carried forward to the other side. When both sides are filled the account is carried to a new card which is inserted in the tray directly in front of the old one. The whole of every account is always together.

Colored, numbered guide cards subdivide the ledger cards by

tens or twenties or by hundreds. In addition each ledger card has, on its upper margin, a tab, on which is printed the unit figure of its account number. Each of these tabs is in one of ten fixed positions across the top of the card so that each unit is distinct. By this means the work of finding an account is reduced literally to the glance of an eye and the touch of a finger.

The card ledger is perpetual. There is no transferring, re-indexing, or writing of new ledgers. Each account retains its original place as long as it is alive, and it can grow in its place indefinitely.

To open a new account it is necessary simply to take a fresh ledger card, bearing the next higher unused number, write in the name and address, and fill out the index card.

Each dead account is instantly eliminated. It is only necessary to remove the card. None of the bookkeeper's time is wasted in handling dead accounts.

When work on the card ledger is pressing, as at the end of the month, the ledger can be divided among any number of the office force and balances and statements got out promptly without rush or night work.

An account in a card ledger may be examined by a member of the firm or other authorized person without halting the work on the whole ledger.

The card ledger makes it possible to keep every overdue account constantly before the bookkeeper's attention until it is paid.

This is done by inserting a tab card of special color in front of the ledger card; or by turning the ledger card upside down; or by attaching a steel signal clip to the card. In book ledgers but one page at a time can be seen, and it is necessary to maintain a separate record of overdue accounts.

By a similar method of marking each account on which posting is done in the course of the day, a daily proving of postings can be made more accurately, more quickly, and more easily than with any other form of ledger.

When the ledger is not in use the cards are securely held in the tray by a steel rod passing through the holes punched near their lower margins. At night the ledger trays may be removed to the safe or vault.

When the ledger is in use the rod is pulled out and placed in

a groove in the bottom of the tray where it is out of the way, yet at hand when wanted.

The card ledger is better protected than any other form of ledger — by the ease with which it may be balanced at frequent, irregular intervals, by the ease with which it lends itself to daily proofs of postings, and by other checks which are possible in their greatest efficiency only in the card ledger.

The card ledger makes possible a reduction in the clerical force and in the size and equipment of the quarters they occupy and in the maintenance of these quarters. It makes every ledger operation more logically clear, more speedy, and more direct.

Vertical Filing

Vertical filing is now the recognized system for taking care of all papers of a business house. It has simplified and economized office methods to a point never before approached. It automatically takes care of details which by old-style methods consume time while more important things wait. It eliminates the greater part of all the delays, errors, friction, wasted efforts, and confusion which cut profits and lose sales.

Vertical filing will immediately lay before you any letter, invoice, order, catalogue, document, or memorandum in your business, or any collection of letters to and from a given correspondent, all together, in the exact order in which they were written, or any collection of letters or papers from various sources about the same subject — instantly when wanted.

It keeps together the things that belong together, keeps separate those that belong apart, and gives at a moment's notice any letter or any entire collection of letters required together and not mixed up with things that are not wanted.

The filing cabinet consists of a set of drawers enclosed in a wooden or steel box. The drawers may be labeled on the outside and divided by adjustable indexes or guides on the inside in any way that is suitable to any particular business. The most excellent feature about the filing cabinet is its flexibility and adaptability.

The uses of the filing cabinet are infinite. The drawers may be made into card systems, or large folders may be added for enclosing series of letters on various subjects. Map cabinets

for the use of central offices sending out salesmen and correspondence, and sorters for the keeping together of letters are variations of the filing cabinet.

The filing cabinet is a great improvement on the old way of storing things away promiscuously and consuming energy sorting papers while time flies. The filing cabinet is of such a nature that each business office can make whatever use of it that seems most convenient to its needs.

The Adding Machine

The adding machine is another labor-saving device which greatly aids the bookkeeper in this work and gives him more time to attend to other office details.

An adding machine is a machine, somewhat like a typewriter in appearance, that will record amounts indelibly on paper, that will add those amounts just as they are recorded without the slightest possibility of error, and will carry a progressive total as fast as the amounts are listed so that by pressing a key at any time during the operation a correct total will be printed instantly.

Out of the modern demand for the adding machine and the manifold use of which it is capable have been evolved a large number of different and distinct styles of adding, listing, and bookkeeping machines, so that there is now practically a machine for every line of business. Most of these machines have special features in addition to their primary function of merely listing and adding figures.

The points of difference between the various styles of adding machine consist chiefly in variations of the printing carriage and keyboard arrangements, with various methods of splitting which permits the listing and adding of two or more columns of dates, numbers, amounts, etc., at the same time, in addition to printing all manner of trade symbols, initials, etc., in connection with the amounts.

The following are a few things that may be done on an adding machine at a less cost than they used to be done in the old expensive hand way.

Bank deposits may be listed and added quickly and accurately, sales by clerks recapitulated, and the actual worth of each clerk to the business may be determined; the cost and selling price of each article sold may be added and listed so that at the

end of each day the proprietor can determine the actual gross profits; daily cash balances may be obtained; trial balances taken; proof of posting determined; monthly statements made out and duplicated; in fact all additions and listings in the course of a day's business may be quickly and accurately made on the adding machine.

XXVI

MISCELLANEOUS EXAMPLES

The problems given in this section are to be solved on loose sheets by the student under the direction of the teacher.

JOURNALIZE THE FOLLOWING EXAMPLES, AND GIVE THE RULE FOR EACH

(*The student will supply dates and names when necessary.*)

1. Sold merchandise for cash.
2. Bought merchandise for cash.
3. Sold John M. Clayton merchandise on account.
4. Bought merchandise of John M. Clayton on account.
5. Sold merchandise for note.
6. Bought merchandise for note.
7. Sold Isaac Fuller merchandise, $\frac{1}{2}$ on his note, and $\frac{1}{2}$ on account.
8. Bought of Isaac Fuller merchandise, $\frac{1}{2}$ on our note, and $\frac{1}{2}$ on account.
9. Sold James Fox merchandise, $\frac{1}{3}$ for cash, $\frac{1}{3}$ for his note, $\frac{1}{3}$ on account.
10. Bought merchandise of James Fox, $\frac{1}{3}$ cash, $\frac{1}{3}$ on our note, $\frac{1}{3}$ on account.
11. Isaac Fuller has paid his note.
12. Paid our note favor of Isaac Fuller.
13. Bought 180 lbs. butter @ 27¢, for which we pay granulated sugar @ 11¢.
14. Sold Levi Carter 127 bu. oats @ 42¢, and received his note at 60 days. Exchanged Carter's note for $10 cash, and John H. Harper's note for the difference, after deducting discount on Carter's note for 63 days.
15. John Brown invests in business, cash $1200; merchandise $875; real estate $1450.
16. John Smith commences business with the following assets and liabilities: Assets, — cash $2100; real estate $2500; mer-

chandise $2740; bills receivable $860; Nelson Clark owes him on account $261.83. Liabilities,—bills payable $762; he owes Elijah Gifford $231.60. Journalize this with one entry, and then with two entries.

17. A. B. Meservey makes the following addition to his investment: viz., cash $500; merchandise $672; John Jones's note $325; Samuel Doe's account $120. Journal entry?

18. A. B. Meservey admits Jacob B. Davis as a partner, who invests $3000 cash.

19. A. B. Meservey and F. W. Preston are doing business as a firm. Meservey sells all his interest to Preston for $4000 cash; but the credit balance of Meservey's account in the ledger is $4628.11. Make the journal entry to close Meservey's account in the books of the firm.

20. What would have been the journal entry if the balance of Meservey's account had been $3826.19?

21. If Meservey should sell his interest to M. H. Merrow for $4000 when the balance of Meservey's account is $960, what would be the journal entry in the books of the firm?

22. Bought 10 shares of bank stock @ 91 per cent. Gave in payment cash $500; my note at 90 days for balance.

23. Discounted the above note 30 days after its date, and paid cash for net proceeds, less discount 63 days at 5 per cent.

24. Charles A. Marden owes A. B. Meservey $424 on account. Marden fails, and Meservey receives in cash from Marden 75 per cent of his claim. Journal entry in Meservey's books.

25. H. M. Butler owes me on his note $300. He fails, and I receive 25 per cent of the face value of the note in cash.

26. I own 10 shares Pacific National Bank stock, and in consequence of its failure I am obliged to pay cash for an assessment of 100 per cent on the par value. Journal entry.

27. I receive 500 bbls. flour, invoiced at $7 per bbl., to be sold on account and risk of Peter Jones; and I pay expenses in cash $12.

28. I assume and ship the above flour, invoiced at $7.50, to James M. Moody, to be sold on his and my joint account.

29. Joshua Rand owes Levi Johnson $750 which has been due six months. Rand allows Johnson interest for six months at 6 per cent, and gives his note for the amount. Journal entry in Johnson's and Rand's books?

30. John Jay gives an order on Philip Brooks, favor of Joel Brown, for $300 worth of merchandise. Brooks delivers the merchandise to Brown, and takes up the order. Make the entry in the journals of Jay, Brooks, and Brown.

31. August 6, 1911. I bought S. B. Harlow's note, dated July 7, 1911, for $700, at 60 days with 5 per cent interest from date. Paid cash for same $690. Journal entry?

1. Commenced business with cash on hand $2100. Paid for merchandise $1984.13; for rent $20.92; for taxes $13.41; for other expenses $38.19. Received for merchandise $832.21; for notes $326.14; on account $287.09. What is the balance of cash on hand? Let this be written out like a cash account.

2. Commenced business with cash on hand $6000; merchandise $4000; bills receivable $800; real estate $426; bank stock $800. I owe a note for $1846.13; on account $1236.10. At the close of the year I have cash $5000; merchandise $3462; bills receivable $900; real estate $400; bank stock $800; due on account $1841.09. I owe on account $134.18; on notes $2160. Make a balance account at opening and closing. Ascertain whether there has been a gain or a loss, and how much per cent.

* 3. What is the true discount, the bank discount, the simple interest, the annual interest, the compound interest of $364.18 for 5 years, 3 months, and 10 days?

4. A. B. Meservey and F. W. Preston commenced business with the following assets and liabilities:

A. B. M. has cash on hand $1000; merchandise $1846.16; due from John C. Smith $119.42; from R. C. Fox $321.34. A. B. M. owes Jesse R. Forbes $221.17 on account. F. W. Preston invests cash $7000; real estate $3000. Write the opening entries of the day book in single entry for the above. At the close of the year there was a net loss of $762.14. What should be the net loss of each of the partners?

5. Levi S. Norton owes me on account $1500. He failed and I received from him cash $500 and his note for $250. What is the journal entry?

6. My store is worth $2000; merchandise in the store $5000. I pay cash to insure the store for $1500 in the Hartford Insur-

* For the solution of No. 3 the student may refer to any good text-book in commercial arithmetic.

ance Company, at 2 per cent for three years; and the merchandise for $3000 in the Ætna Insurance Company, at 1 per cent per year. Three months afterward the store is burned, and only $1500 worth of merchandise is saved. Journalize the above, and find the net loss. What are the journal entries when the losses are paid?

7. Shipped John J. Butler 400 bbls. flour @ $8.12½. Paid expense $82. Received for net proceeds $3373.12. What is the net gain, and the gain per cent on the cost of the flour?

* 8. Received a consignment January 6, 1911, and paid expense $91.08. January 19, 1911, received for amount sold $1869.14; March 4, 1911, received $362.19. Charged for storage, advertising, and commission $162.41. What are the net proceeds, and what is the equated time of payment? Make an account sales.

9. Sold 100 bbls. apples (Thomas S. Dame's consignment) @ $3.12 per bbl. Received in payment ⅓ cash, ⅓ note, ⅓ order on W. A. Shaw. Journalize.

10. Exchanged my farm, worth $2000, on which there is a mortgage for $1000, and interest now due $100, for a store worth $1000, with a mortgage on the same for $500, and interest now due $50. I agree to pay the mortgage on the store, and the interest now due; he agrees to pay the mortgage on the farm, and the interest now due. The balance is to be paid in cash. Who pays the cash? How much? What is the journal entry?

11. January 6, 1911, discounted my note due September 9, 1911. Face of note $960. Gave in payment W. G. Huzzey's note in my favor for $100, due May 4, 1911; my note due June 1, 1911, for $50; the balance in cash. Reckon the discount on the notes; find the balance of cash; journalize the transaction.

12. March 1, 19—, received of J. R. Hoyt and Company, to be sold on their and our joint account and risk, 500 bbls. flour, invoiced at $8 per bbl. Paid expenses $31.28. April 9, sold 300 bbls. for cash @ $8.50. May 26, sold 200 bbls. on note at 6 mos. Charged for storage $2.50. Advertising $2.25; commission 2½ per cent on sales. Make an invoice of the flour when received, a ledger account of the joint consignment, an account sales, and find the equated time of payment. Was there a net gain or loss? and how much per cent on the invoice price?

* For the solution of No 8 the student may refer to any good text-book in commercial arithmetic.

*13. July 11, 19—, received of John S. Dole and Company 20,000 ft. lumber, invoiced at $10 per M., to be sold on joint account of four parties. Paid freight $38.21. August 9, sold the whole at $12.50 per M. on a note for 6 mos. with interest at 6 per cent. Charged for storage and advertising $4.25; for commission 2½ per cent on sales. Make out the ledger account for the joint consignment, also an account sales, and find the equated time of payment.

*For the solution of No. 13 the student may refer to any good text-book in commercial arithmetic.

XXVII

ADDITIONAL BUSINESS FORMS

Forms

Custom has established certain convenient forms for notes, checks, drafts, and bills of exchange, but no particular form is required by law. Forms should contain the requisite elements necessary to legally bind the parties. We subjoin some common forms which will be readily understood without further information.

Note — Individual — Time.

$100.00/100 Boston, Mass., July 1, 1911

Three months after date, I promise to pay John Blank, or order, one hundred dollars, value received.

A. B. Meservey.

(Back of the Note when paid.)

Pay to the order of
William Smith & Co
John Blank.

Pay to the order of
Thompson & Brown
Wm. Smith & Co.
Thompson & Brown

Note — Joint — Demand.

$175.50/100 New Hampton, N. H., July 10, 1911

On demand, we promise to pay John Blank, or order, one hundred seventy-five 50/100 dollars, value received.

A. B. Meservey.
C. D. Thyng.

Note — Chattel — Not Negotiable.

$250.00/100 New Hampton, N. H., Aug. 1, 1911

For value received, I promise to pay John Blank two hundred and fifty dollars in hemlock boards, at ten dollars per M., delivered at Bristol, Feb. 1, 1911

A. B. Meservey.

Note — Joint and Several — Interest.

$63 $\frac{25}{100}$. Boston, Mass., July 1, 1911

Value received, we jointly and severally promise to pay John Blank, or order, sixty-three $\frac{25}{100}$ dollars, sixty days after date, with interest.

A. B. Meservey.
C. D. Thyng.

Note — Collateral — Witnessed.

$1,000 $\frac{00}{100}$ New Hampton, N. H., July 1 1911

Sixty days from date, we jointly and severally promise to pay the First National College Bank of New Hampton, or order, ten hundred dollars, value received: and, as security for the payment of the same, we have deposited herewith a certificate of seventeen shares of stock in the Boston and Maine Railroad, standing in our name on the books of said company, with authority to sell the same at public or private sale, provided this note is not paid at maturity.

B. Marsh.

Witness: J. H. Deane. Chas. Brown.

Draft — Time.

$300 $\frac{00}{100}$ Boston, July 1, 1911

Sixty days after date, pay to the order of John Blank three hundred dollars value received, and charge to the acct. of July 15 1911 James Smith & Co.

To C. D. Thyng, New Hampton, N. H.

Draft — Sight — Bearer.

$20 $\frac{00}{100}$ Boston, July 1, 1911

At sight, pay to John Blank, or bearer, twenty dollars, value received, and charge to acct. of

A. B. Messervey.

To C. D. Thyng,
New Hampton, N. H.

Check — Sight — Bank.

$200.25 Boston, July 15, 1911

First National Bank.

Pay to the order of Frank M. Patten

Two hundred dollars $\frac{25}{100}$.

No. 15. Charles F. Mattson

Order for Merchandise.

$5.00 Boston, July 1, 1911

Please deliver to John Blank, or bearer, five dollars' worth of merchandise from your store, and charge the same to the acct. of A. B. Matthews.

To C. D. Tucker.

Receipt in Full of all Demands.

$28 $\frac{10}{100}$. Boston, July 1, 1911

Received of David Rush twenty-eight $\frac{10}{100}$ dollars in full of all demands to this date.

Walter Smith.

Bill.

Dover, Mass., July 1, 1911

Mr. G. D. Everett,

To Allen F. Smith, Dr.

To 6 days' work	@	$1.25	7	50
Received Payment, Allen F. Smith.				

Bill.

Boston, July 1, 1911

Mr James Graham,

To Jones & Farley, Dr.

Apr. 10	5 lbs. butter,	40	2	00		
	1 bbl. flour,		9	50		
27	30 yds. muslin,	10	3	00		
June 2	1 cheese, 27 lbs.,	15	4	05	17	55
	Paid July 5, 1911 Jones & Farley.					

Invoice.

Boston, March 26, 1911

Messrs. Jones & Farley,

Bought of Smith & Mason.

5 tubs butter, 50 42 48 56 47	243 lbs.,	30c.	72	90	
9 bbls flour, 3 mos.,		$9.00	81	00	153	90

Statement of Account.

Boston, July 1, 1911

Messrs. Jones & Farley,

In act. with Smith & Mason. Dr

Mar. 26	Mdse., 2 mos.	162	60		
Apr. 12	" 4 "	157	00		
24	" 4 "	375	00		
May 6	" 2 "	380	00	974	60
	Cr.				
May 24	Cash,	150	00		
24	Mdse., 3 mos.	475	00		
June 30	Cash,	150	00	775	00
	Average due July 30			199	60
	July 5, settled by note				
	May 17, 2 mos.				
	Smith & Mason				

$199.60 Boston, May 17, 1911

Two months after date we promise to pay to the order of Smith & Mason

One Hundred Ninety-nine dollars 60/100

Value received.

No. 29 Due 7/17/30 Jones & Farley

[WARRANTY DEED.]

Know all Men by these Presents,

THAT WE, Elijah H. Prescott of New Hampton, County of Belknap and State of New Hampshire, and Amanda A. Prescott, wife of the said Elijah H. Prescott, — for and in consideration of the sum of four thousand and six hundred dollars to us in hand, before the delivery hereof, well and truly paid by A. B. Meservey and Charles D. Thyng, both of New Hampton aforesaid, partners, doing business under the firm of Meservey and Thyng, the receipt whereof we do hereby acknowledge, have given, granted, bargained, and sold and by these presents do give, grant, bargain, sell, aliene, enfeoff, convey, and confirm unto the said A. B. Meservey and Charles D. Thyng and to their heirs and assigns forever, a certain tract of land situated in New Hampton aforesaid (warranted to contain ninety-six square rods by measure), bounded as follows, to wit, beginning at a stake and stones on the highway, being the northeast corner of land owned by Z. C. Perkins; thence southerly, twelve rods, by land of said Perkins, to land of Augustus Burpee; thence easterly, eight rods, by land of said Burpee, to land of William Dyer; thence northerly, twelve rods, by land of said Dyer, to a stake and stones on the highway; thence westerly, by said highway, to the first-mentioned bound, together with the buildings standing thereon:

TO HAVE AND TO HOLD the said granted premises, with all the privileges and appurtenances to the same belonging, to them, the said A. B. Meservey and Charles D. Thyng and their heirs and assigns, to their and their only proper use and benefit forever. And I, the said Elijah H. Prescott, and my heirs, executors, and administrators, do hereby covenant, grant, and agree to and with the said A. B. Meservey and Charles D. Thyng, and their heirs and assigns, that, until the delivery hereof, I am the lawful owner of the said premises, and am seized and possessed thereof in my own right in fee simple, and have full power and lawful authority to grant and convey the same in manner aforesaid; that the said premises are free and clear from all and every incumbrance whatsoever; and that I and my heirs, executors, and administrators shall and will warrant and defend the same to the said A. B Meservey and Charles D. Thyng and their heirs and assigns, against the lawful claims and demands of any person or persons whomsoever.

And I, Amanda A. Prescott, wife of the said Elijah H. Prescott, in consideration aforesaid, do hereby relinquish my right of dower in the beforementioned premises.

And we and each of us do hereby release, discharge, and waive all such rights of exemption from attachment and levy or sale on execution, and such other rights whatsoever, in said premises and in each and every part thereof, as our family homestead, as are reserved or secured to us or either of us by the Statute of the State of New Hampshire, passed July 4, 1851, entitled, "An Act to exempt the homestead of families from attachment and levy or sale on execution," or by any other statute or statutes of said State.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this eleventh day of July, in the year of our Lord one thousand nine hundred and ten.

Signed, sealed, and delivered in presence of us:

WILLIAM DYER.	ELIJAH H. PRESCOTT.	[L.S.]
GEO. A. EMERSON.	AMANDA A. PRESCOTT.	[L.S.]

State of New Hampshire, Belknap, ss.

Personally appearing, the above-named Elijah H. Prescott and Amanda A. Prescott acknowledged the foregoing instrument to be their voluntary act and deed, — *Before me*

GEORGE A. EMERSON, *Justice of the Peace.*

Dated the eleventh day of July, 1910.

[MORTGAGE DEED.]

Know all Men by these Presents,

THAT WE, A. B. Meservey and Charles D. Thyng, both of New Hampton, County of Belknap, and State of New Hampshire, for and in consideration of the sum of two thousand and six hundred dollars to us in hand, before the delivery hereof, well and truly paid by Elijah H. Prescott of said New Hampton, the receipt whereof we do hereby acknowledge, have given, granted, bargained, and sold, and by these presents do give, grant, bargain, sell, aliene, enfeoff, convey, and confirm unto the said Elijah H. Prescott, his heirs and assigns forever, a certain tract of land situated in New Hampton aforesaid (containing ninety-six square rods, more or less), bounded as follows, to wit, beginning at a stake and stones on the highway, being the northeast corner of land owned by Z. C. Perkins; thence southerly, twelve rods, by land of said Perkins, to land of Augustus Burpee; thence easterly, eight rods, by land of said Burpee, to land of William Dyer; thence northerly, twelve rods, by land of said Dyer, to a stake and stones on the highway; thence westerly, by said highway, to the first-mentioned bound; together with the buildings standing thereon:

TO HAVE AND TO HOLD the said granted premises, with all the privileges and appurtenances to the same belonging, to him, the said Elijah H. Prescott, and his heirs and assigns, to his and their only proper use and benefit forever. And we, the said A. B. Meservey and Charles D. Thyng, and our heirs, executors, and administrators do hereby covenant, grant, and agree to and with the said Elijah H. Prescott and his heirs and assigns that, until the delivery hereof, we are the lawful owners of the said premises, and are seized and possessed thereof in our own right in fee simple, and have full power and lawful authority to grant and convey the same in manner aforesaid; that the said premises are free and clear from all and every incumbrance whatsoever; and that we and our heirs, executors, and administrators shall and will warrant and defend the same to the said Elijah H. Prescott and his heirs and assigns against the lawful claims and demands of any person or persons whomsoever.

And I, Loanna S. Meservey, wife of the said A. B. Meservey, and I, Caro B. Thyng, wife of the said Charles D. Thyng, in consideration aforesaid, do hereby relinquish our respective rights of dower in the before-mentioned premises.

And we and each of us do hereby release, discharge, and waive all such rights of exemption from attachment and levy or sale on execution, and such other rights whatsoever in said premises, and in each and every part thereof, as our family homestead, as are reserved or secured to us, or either of us, by the statute of the State of New Hampshire, passed July 4, 1851, entitled "An Act to exempt the homestead of families from attachment and levy or sale on execution," or by any other statute or statutes of said State.

Nevertheless it is to be considered, and the condition of the foregoing Deed is such, that if the said A. B. Meservey and Charles D. Thyng, or their heirs, executors, and administrators, shall well and truly pay unto the said Elijah Prescott or his heirs and assigns twenty-six hundred dollars, on demand, agreeably to their note of even date for that sum, payable to said Elijah H. Prescott, or order, on demand with interest, then the foregoing Deed is to be void and no effect: otherwise to remain in full force and virtue.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this eleventh day of July, in the year of our Lord one thousand nine hundred and ten.

Signed, sealed, and delivered in presence of us: —
WILLIAM DYER.
GEO. A. EMERSON.

A. B. MESERVEY. [L.S.]
LOANNA S. MESERVEY. [L.S.]
CHARLES D. THYNG. [L.S.]
CARO B. THYNG. [L.S.]

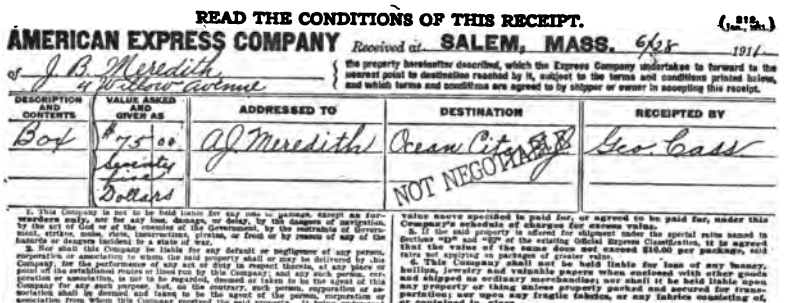
State of New Hampshire, Belknapp, ss.

Personally appearing, the above-named, A. B. Meservey, L. S. Meservey, C. D. Thyng, and Caro B. Thyng, acknowledged the foregoing instrument to be their voluntary act and deed, — *Before me*

GEORGE A. EMERSON, *Justice of the Peace.*

Dated the eleventh day of July, 1910.

Express Receipt



READ THE CONDITIONS OF THIS RECEIPT.

AMERICAN EXPRESS COMPANY Received at SALEM, MASS. 6/28 1911

of J. B. Meredith, 4 Willow Avenue } the property hereinafter described, which the Express Company undertakes to forward to the nearest point to destination reached by it, subject to the terms and conditions printed below, and which terms and conditions are agreed to by shipper or owner in accepting this receipt.

DESCRIPTION AND CONTENTS	VALUE ASKED AND GIVEN AS	ADDRESSED TO	DESTINATION	RECEIPTED BY
Box	$75.00 Seventy-five Dollars	A. J. Meredith	Ocean City NOT NEGOTIABLE	Geo. Cass

1. This Company is not to be held liable for any loss or damage, except as forwarders only, nor for any loss, damage, or delay, by the dangers of navigation, by the act of God or of the enemies of the Government, by the restraints of Governments or dangers incident to a state of war.

2. Nor shall this Company be liable for any default or negligence of any person, corporation or association to whom the said property shall or may be delivered by this Company; for the performance of any act or duty in respect thereto, at any place or point of its established routes or lines run by this Company; and any such person, corporation or association, is not to be regarded, deemed or taken to be the agent of this Company for any such purpose, but, on the contrary, such person, corporation or association shall be deemed and taken to be the agent of the person, corporation or association from whom this Company received the said property. It being understood that this Company relies upon the various Railroad and Steamboat lines of the country for its means of forwarding property delivered to it to be forwarded it is agreed that it shall not be liable for any losses or damages caused by the detention of any train of cars or of any steamboat or other vehicle upon which said property shall be placed for transportation; nor by the neglect or refusal of any Railroad Company, Steamboat or other transportation line to receive and forward the said property. Nor shall this Company be liable for any losses or damages caused by detention of said property due to Customs Regulations.

3. It is further agreed that property covered by this receipt and passing over ocean routes in transit shall be subject to the conditions expressed in the Bills of Lading of Ocean Steamship Companies accepted for the shipment.

4. It is further agreed that this Company is not to be held liable or responsible for any loss of, or damage to, said property or any part thereof, from any cause whatever, unless in every case the loss or damage be proved to have occurred from the fraud or gross negligence of said Company or its servants: nor in any event shall this Company be held liable or responsible, nor shall any demand be made upon it beyond the sum of Fifty Dollars upon any shipment of 100 lbs. or less, and for not exceeding 50 cents per pound upon any shipment weighing more than 100 lbs., and the liability of the Express Company is limited to the value above stated unless the just and true value is declared at time of shipment, and the declared value in excess of the value above specified is paid for, or agreed to be paid for, under this Company's schedule of charges for excess value.

5. If the said property is offered for shipment under the special rates named in Sections "QR" and "QP" of the existing Official Express Classification, it is agreed that the value of the same does not exceed $10.00 per package, said rates not applying on packages of greater value.

6. This Company shall not be held liable for loss of any money, bullion, jewelry and valuable papers when enclosed with other goods and shipped as ordinary merchandise; nor shall it be held liable upon any property or thing unless properly packed and secured for transportation; nor upon any fragile fabrics, or any fabrics consisting of, or contained in, glass.

7. If any sum of money besides the charges for transportation is to be collected from the consignee on delivery of the said property, and the same is not paid, or if for any cause the consignee cannot be found or refuses to receive such property, or for any other reason it cannot be delivered, the shipper agrees that this Company may return said property to him subject to the conditions of this receipt, and that he will pay all charges for transportation, and that the liability of this Company for such property while in its possession for the purpose of making such collection, shall be that of Warehousemen only.

8. In no event shall this Company be liable for any loss, damage or delay, unless the claim therefor shall be presented to it in writing at this office within ninety days after date of shipment, in a statement in which this receipt shall be annexed.

9. It is further agreed that any carrier or party liable on account of loss or damage to any of the said property, shall have the full benefit of any insurance that may have been effected upon or on account of said property.

10. And it is also understood that the stipulations contained herein shall extend and inure to the benefit of each and every company or person to whom, through this Company, the said property may be entrusted or delivered for transportation.

11. Deliveries at destination are only to be made within the delivery limits established at such points at the time of shipment and prepayment to such cities shall only cover places within such delivery limits.

12. Prepayment of carrying charges for shipments to Foreign Countries does not include Government, Frontier or Port charges.

The liability of this Company is limited to $50 for any shipment of 100 lbs. or less, or to 50 cents per lb. for any shipment in excess of 100 lbs., unless the just and true value is greater and is so stated in this Receipt and an extra charge is paid or agreed to be paid therefor, based upon such higher value; and such liability ceases on delivery by the Company of property at nearest point to destination it can carry same. Fragile fabrics and fabrics consisting of, or contained in, glass, at owner's risk.

Reverse Side of Express Receipt

American Express Company

MONEY ORDERS

possess advantages over all other safe methods for remitting money.

1st. The rates are the lowest.

2d. There is no possibility of loss. Purchaser is given a receipt which will aid in obtaining a refund in case order is lost.

3d. There is no delay or inconvenience in purchasing or cashing same.

4th. Orders paid at over 30,000 places in United States, Canada, Mexico, Central and South America, West Indies, Hawaii and Philippine Islands.

RATES FOR MONEY ORDERS
Issued in the United States:

Not Over		Not Over		Not Over	
$2.50	3 cts.	$30.00	12 cts.	$75.00	25 cts.
5.00	5 cts.	40.00	15 cts.	100.00	30 cts.
10.00	8 cts.	50.00	18 cts.	Over $100.00	
20.00	10 cts.	60.00	20 cts.	at above rates.	

DRAFTS ON FOREIGN COUNTRIES

Drafts drawn by this Company, in Sterling, Francs, Lire, Lei, Marks, Kroner, Rubles, Kronen, Gulden, Pesetas, Turkish Pounds, Local Dollars, Pesos, Rupees, Yen and U. S. Dollars, on all parts of the Commercial World.

TRANSFERS OF MONEY BY TELEGRAPH

are made by this Company between points in United States and Canada, also CABLE TRANSFERS to and from all Foreign Countries.

TRAVELERS CHEQUES

ORIGINATED BY THIS COMPANY IN 1891

A modern, economical, secure and satisfactory form of carrying funds for foreign or domestic tours. Checks are issued for $10, $20, $50, $100 and $200 with the foreign money values thereon and are cashed by 15,000 Correspondents throughout the world.

They are received by many hotels, steamship, railroad and sleeping car companies, merchants, shopkeepers and others in settlement of accounts, fares, etc.

ORDER AND COMMISSION DEPARTMENT

purchases or obtains for patrons any articles, including Household Supplies, at any place where the Company has an Agency, returning same in the quickest possible time and without extra cost for such special service performed in the United States and Canada; only the usual rates for carrying the goods being charged, and a small fee when it advances the purchase money.

Effects sales, through reputable commission houses, of all kinds of Country Produce, Fruit or other shipments consigned to it. Consignments disposed of to good advantage. Returns prompt and correct.

And performs with intelligence and discretion any other legitimate service that it can properly undertake.

A supply of Order Blanks furnished on application.

FOREIGN SHIPPING DEPARTMENT

This Company forwards Express shipments of Merchandise, Parcels, Baggage, Valuables and Securities, and Freight Consignments in small or carload lots, by every class of service, to or from all Foreign Countries and the United States and Canada.

With its Offices in Europe, and Shipping and Banking Correspondents at all Principal Cities and Ports of the Commercial World, this Company possesses facilities and advantages unequalled by any other forwarder, and which enable it to give the best and quickest Foreign Express and Freight Service.

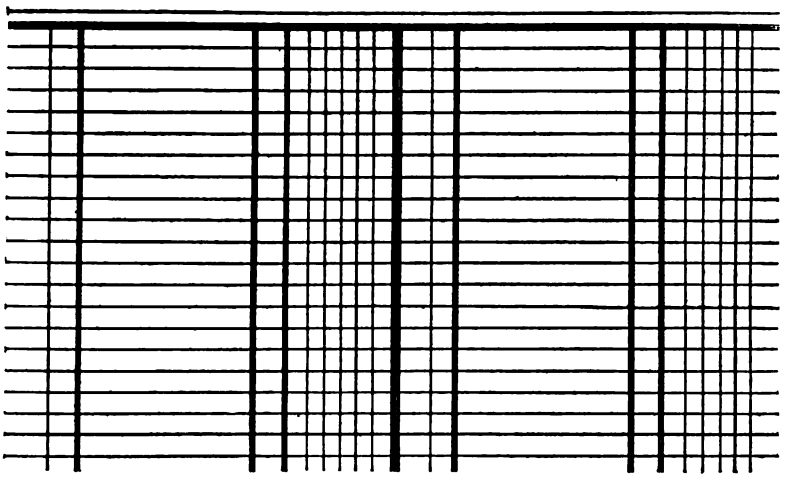
OFFICES IN EUROPE:

LONDON,	6 Haymarket.
LIVERPOOL,	64 Queen Street.
GLASGOW,	10 James Street.
SOUTHAMPTON,	29 Gordon Street.
PARIS,	35 Oxford Street.
	11 Rue Scribe.
	54 Rue des Petites Ecuries.
HAVRE,	42 Quai d'Orleans.
BERLIN,	55 Charlotten Strasse.
HAMBURG,	9 Alterdamm.
BREMEN,	7 Bahnhofstrasse.
ANTWERP,	7 Quai Van Dyck.
ROTTERDAM,	17 Godemaste Glashaven.
ROME,	Piazza Venezia.
NAPLES,	28-29 Via Vittoria.
GENOA,	17 Piazza Nunziata.

THIS COMPANY IS
GENERAL EUROPEAN AGENT FOR
N. Y. Central & Hudson River R. R. Co.
and
Merchants Despatch.

This Company Collects Drafts, Notes, Bills, Coupons, Dividends and other paper, Records Deeds, Pays Taxes for non-residents, serves legal papers, etc.
FURTHER INFORMATION CAN BE OBTAINED AT ANY AGENCY

Card Ledger



Memoranda of Cash for Pay Roll

MEMORANDUM OF

CASH FOR PAY ROLL

FOR

_____

_____ 190

	DOLLARS	CENTS
TWENTIES		
TENS		
FIVES		
TWOS		
ONES		
HALVES (Rolled $10 in package)		
QUARTERS (Rolled $5 in package)		
DIMES (Rolled $2 and $5 in pkg.)		
NICKELS (Rolled $1 in package)		
CENTS (Rolled 25c in package)		
TOTAL,		

Where possible please arrange coin to correspond with rolled packages.

Merchants National Bank,

SALEM, MASS.

MEMORANDUM OF

CASH FOR PAY ROLL

FOR

.....

..... 19

TWENTIES		
TENS		
FIVES		
DOLLARS		
HALVES		
QUARTERS		
DIMES		
NICKELS		
PENNIES		
TOTAL,		

Merchants National Bank,
SALEM, MASS.

MEMORANDUM OF
CASH FOR PAY ROLL
FOR

.....

.....1900.

TWENTIES			
TENS			
FIVES			
DOLLARS			
HALVES			
QUARTERS			
DIMES			
NICKELS			
PENNIES			
TOTAL,			

Deposit Slip

Merchants National Bank.
DEPOSITED BY

SALEM, MASS _____ 190

Please state the name of the Bank on which Checks are drawn. Endorse all Checks or put your initials on them.

	DOLLARS	CTS.
COUPONS.....		
BILLS.....		
SILVER		
GOLD		
CHECK ON.....		

EXCHANGE SLIP

Commonwealth Trust Co.

FROM No......

DATE.....

Check

BOSTON, MASS. Feb 15, 1910. No. 52

OLD COLONY TRUST COMPANY

PAY TO THE ORDER OF

Rosenthal Bros $144 57/100

One hundred forty-four and 57/100 DOLLARS

Jos. Kornstein

Endorsement of Check

PAY CHELSEA TRUST COMPANY,
OF CHELSEA MASS OR ORDER
FEB 2 1910
CITY OF CHELSEA MASS
THOMAS B. FROST, City Treas.
Edward Doyle

Counter Check

Ocean City, N. J., _____ 190

THE FIRST NATIONAL BANK

Pay to the order of COUNTER CHECK $ _____

_____ Dollars

Note

$\_\_\_\_\_$ Ocean City, N. J., _____

_____ months after date ____ promise to

pay to the order of _____ at

The First National Bank, Ocean City, N. J.,

_____ Dollars,

for value received.

No. _____ Due _____ _____

Depositor's Monthly Statement from Bank

PAGE 41 NO. 397

Jos. Kornsteen

IN ACCOUNT WITH

Commercial Bank, Salem, Mass.

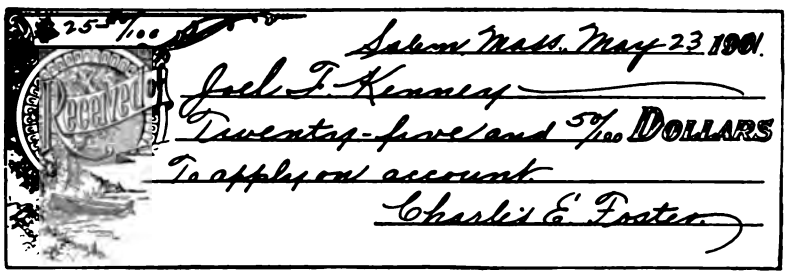
FROM Feb. 1 1910 TO March 1 1910

BALANCE	DEPOSITS		CHECKS	
	116	09	30	05
6	70		45	17
14	75		146	50
25	70		87	97
26	1000			
28	530			
			BALANCE	1561 45
	1871	09	1871	09
BALANCE	1561	45		

Depositors are requested to EXAMINE and VERIFY their ACCOUNT IMMEDIATELY on return of checks, giving particular attention to the ENDORSEMENTS on the checks, and notify of any error without delay.
If not advised to the contrary within ONE WEEK from date to which this statement is made, we shall understand that you acknowledge it to be correct

PRESERVE THIS STATEMENT AND CANCELLED VOUCHERS.

Receipt



Daily Abstract Sales Sheet

No. _____

_____

Daily Abstract Sales Sheet _____ *191*

		NAME.	AMOUNT OF SALE		TOTAL DAILY SALES.	

XXVIII

GLOSSARY OF BUSINESS TERMS

Acceptance. An agreement by the drawee of a draft or bill of exchange to pay it according to its terms. This agreement is usually made by the drawee's writing "Accepted" across the face of the draft or bill and signing his name. An **Acceptance** is also the draft or bill of exchange when accepted.

Acceptance for Honor. An acceptance made for the honor of the drawer after the draft has been dishonored by the drawee.

Accommodation Account. An account with certain charges, deductions, etc., such as expense, interest, and discount.

Accommodation Paper. Notes and acceptances drawn for the purpose of being discounted, and not based upon an actual sale of goods. Notes and acceptances signed without consideration. Notes and acceptances exchanged by merchants for mutual accommodation.

Account Current. An open account. A detailed statement of the transactions between two persons or firms.

Account Sales. An itemized statement of the expenses and sales of goods sent to be sold on commission. The statement shows the prices for which the goods sent were sold, the commission and other charges, and the difference between the amount of sales and the amount of charges or the net proceeds.

Account. A condensed record of one or more business transactions arranged under some appropriate title with the debits separated from the credits so that their difference may be easily ascertained.

Advice. Due notice given concerning any monetary transaction. Notice of a draft drawn.

Appraise. To set a value upon goods.

Articles of Copartnership. The agreement between partners as to the conduct of the partnership.

Assets (Resources). Available property belonging to a person and amounts owed him.

Assignee. A person to whom the property of a bankrupt is transferred for the purpose of adjusting his affairs.

Balance. The difference between two sides of an account. That which remains.

Balance Sheet. A condensed statement of the condition of the business which contains the trial balance, statement of resources and liabilities, and losses and gains of a business.

Bank. Primarily an institution for the safe keeping of money. A commercial bank is an institution organized for the purpose of receiving deposits of money, making loans of money, discounting commercial paper, making collections, and effecting the transmission of money from place to place.

Bank Book. A pass book carried by the depositor in which are recorded by an officer of the bank the deposits made and also the checks paid by the bank.

Bankrupt. One who fails in business as a result of being unable to pay his debts.

Bill. A written statement containing a list of items bought or sold or a statement of services rendered. Another name for a promissory note or draft.

Bill Book or **Note Ledger.** A specially ruled book in which the particulars of a note or draft are recorded.

Bill Head. A printed form on which a bill or invoice is listed.

Bill of Exchange. A written order for the payment of money usually drawn on a person living in a foreign country, the term draft being used to designate orders payable in the same country in which they are drawn.

Bill of Lading. A freight receipt or a written account of goods shipped and the conditions of shipment, containing the signature of the carrier or his agent and given as a receipt to the shipper.

Bills Payable (Notes Payable). Promissory notes given to others.

Bills Receivable (Notes Receivable). Promissory notes received from others.

Board of Trade. An association of business men joined together for the purpose of regulating and advancing business interests.

Bond. A written obligation under seal to fulfil the conditions of a contract.

Capital. Property invested in a business for the sake of profit.

Certificate of Deposit. A certificate issued by a bank certifying that a certain person has deposited a certain sum of money, payable to another person or his order, at a stated time, or whenever the certificate is presented properly indorsed.

Certified Check. A check drawn by a depositor and certified, by an officer of the bank on which it is drawn, to be good when properly indorsed.

Check. A money order like a draft, only still less formal, drawn by a depositor, on a bank in which he keeps a deposit of money.

Check Book. A printed book of blank forms for writing checks or orders on the bank for money to the credit of the drawer.

Clearing House. An establishment for the convenience of certain banks where checks, drafts, and accounts are mutually exchanged without the individual presentation of each at the bank.

Collateral. Security given for the loan of money or for other indebtedness.

C. O. D. Collect on delivery.

Commercial Paper. Notes, drafts, checks, etc., given in the course of trade.

Commission. The compensation for buying or selling property for another person.

Company. A partnership in business.

Consign. To send goods to an agent for sale.

Consignee. The person or agent to whom goods are sent to be sold.

Consignment. Merchandise received from one party by another to be sold on commission.

Consignor. The person who sends goods to another to be sold for him.

Corporation. A body politic legally authorized to transact business as an individual.

Credit. A charge. Value supplied.

Creditor. A person from whom value is received.

Currency. Money. In America paper money is usually considered as currency.

Debit. Value received. Responsibility for value.

Debtor. A person who receives value.

Deed. An instrument under seal containing a transfer of real estate.

Discount. To deduct from an account, debt, or charge. Deduction made for interest in advancing money upon a draft or note not due. Payment in advance of interest upon money.

Dishonor. Non-payment of commercial paper by the person on whom it is drawn.

Dividend. A sum of money to be divided and distributed. It is applied to profits apportioned among shareholders and to assets apportioned among creditors.

Double Entry Bookkeeping. A method of recording business transactions in which personal, property, and accommodation accounts are employed.

Express Money Order. A written order issued by an express company ordering another to pay a specified sum of money to a designated person.

Face. The original amount of a note, check, or draft.

Firm. A copartnership.

F. O. B. Free on Board. The seller must pay all shipping charges when merchandise is sold on this condition.

Folio. A page.

Footing. The sum of a column of figures. Adding a column of figures.

Gain (Profit). Excess of cost over proceeds.

Good-will. The good opinion of customers concerning the business, and the probability that they will continue to patronize it. It is a valuable asset and may be sold with a business.

Grace, Days of. Three additional days allowed after a debt becomes due. Most states have done away with days of grace.

Honor. To accept and pay when due.

Indorse (Endorse). To write one's name on the back of a negotiable paper in order to transfer it, or to secure the payment of a note, draft, etc.

Indorsement. That which is written on the back of a negotiable paper, transferring it, etc.

Indorser. One who writes his name on the back.

Insolvent. (See Bankrupt.)

Insurance. Indemnity against loss.

Inventory. A list of unsold merchandise. Stock on hand.

Invoice. A bill.

Invoice Book. A book in which is kept a record of merchandise bought.

Jobber. One who buys goods from importers and manufacturers and sells to retailers. A middleman.

Journal. A book of debits and credits in which the original records of business transactions are prepared for posting.

Journal Day Book. A book of original entry containing a record of each business transaction, at the time, under the date, and in the order of its occurrence, with the names of the accounts affected by the transactions, showing which accounts are debited and which are credited.

Journalizing. Recording business transactions in the journal or journal day book.

Lease. The renting of property. The contract for such renting.

Ledger. A book of accounts in which debits and credits are arranged under their proper titles.

Legal Tender. Such money as the Government declares shall be accepted in payment of debts.

Letter of Credit. A draft, in the form of a circular letter, addressed to several persons or banks, as drawees, each one of whom is directed to pay a part or the whole amount of the draft, to the payee, when presented for payment, until the whole amount is paid.

Liabilities. All kinds of debts and legal claims payable from the business.

Loss. Excess of cost over proceeds.

Maker. One who signs a check, note, or draft.

Maturity. The day that a note or draft falls due.

Merchandise. Such movable goods as are bought and sold for profit.

Mortgage. Conveyance of property as security for the payment of a debt to become void upon payment or performance.

Negotiable. Transferable by assignment or indorsement to another person.

Negotiable Paper. Paper such as notes, drafts, checks, etc., that is transferred by indorsement or assignment.

Net. The clear amount free from charges, deductions, etc.

Net Proceeds. The amount or sum which goods produce after every charge is paid.

Notary Public. An officer appointed to protest notes, and attest deeds and other instruments.

Note. A written promise to pay a certain sum of money to a certain specified person at a certain specified time.

Order. Another name for a draft. A request from one dealer to supply certain goods or money.

Outstanding Accounts. Accounts uncollected and unpaid.

Overcharge. To charge more than agreed upon or more than the usual price.

Overdrawn. To make drafts upon or against one's capital or credit beyond the limit.

Par. The original price or full value of a security or money. Equal value.

Partner. A member of a business firm.

Partnership. The association of two or more individuals for carrying on business.

Pass Book. See Bank Book.

Payee. The person to whom a note or draft is made payable.

Personal Accounts. An account with a person.

Postal Money Order. An order drawn on one post-office by another for money to be paid to a designated payee.

Posting. Transferring debits and credits from the auxiliary books to the ledger.

Present Worth. The amount the proprietor is worth at the time the books are closed. The difference between the total investment, including gains, and the total withdrawals.

Profit. Gain.

Promissory Note. See note.

Property Accounts. Accounts with certain kinds of property, such as cash, merchandise, real estate, etc.

Protest. An official notice or remonstrance from a notary public.